



**UMOA-Titres**

Bâtir un Marché intégré des Titres Publics

# INFORMATION NOTE



Republic of  
Senegal



Presentation of Sovereign issuers of  
**West African Monetary Union (WAMU)**

August 2021

Quality review by **Deloitte.**



**UMOA-Titres**  
Bâtir un Marché intégré des Titres Publics

## BE AN INFORMED INVESTOR

# THROUGH THE INFORMATION NOTE OF THE GOVERNMENT SECURITIES MARKET 2021

Benin | Burkina Faso | Côte d'Ivoire | Guinea-Bissau | Mali | Niger | Senegal | Togo

Download on

[www.umoatitres.org](http://www.umoatitres.org)



Together, let's build the WAMU of tomorrow

Quality review by **Deloitte.**

# Summary

<b>ACRONYMS.....</b>	<b>5</b>
<b>ISSUER CERTIFICATE.....</b>	<b>8</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>9</b>
<b>COUNTRY PROFILE.....</b>	<b>10</b>
<b>1 COUNTRY OVERVIEW.....</b>	<b>11</b>
1.1 Political system.....	11
1.2 Administrative organization.....	12
1.3 Geographic location.....	12
1.4 Population.....	12
1.5 Education.....	14
1.6 Health.....	15
1.7 Employment.....	16
1.8 Reminder of the main aggregates.....	17
<b>2 RECENT ECONOMIC SITUATION AND OUTLOOK.....</b>	<b>19</b>
2.1 Evaluation of the Gross Domestic Product .....	19
2.2 Gross domestic product details.....	20
<b>3 NATIONAL DEVELOPMENT PLAN AND ECONOMIC OUTLOOK.....</b>	<b>26</b>
3.1 Recent Achievements and Completions .....	26
3.2 Future Achievements.....	30
<b>4 MONETARY SYSTEM AND FINANCIAL MARKETS.....</b>	<b>33</b>
4.1. Structuralelements.....	33
4.2 Banking system and financial markets.....	35
4.3 Inflation rate.....	41
4.4 Exchange rates.....	41
4.5 Foreign Reserves .....	42
<b>5 FOREIGN TRADE AND BALANCE OF PAYMENTS.....</b>	<b>43</b>
5.1 Balance of payments.....	43
5.2 Regional trade.....	43
5.3 International trade .....	48
5.4 Foreign direct investment.....	50
5.5 Regional integration.....	51

<b>6</b>	<b>SIGNATURE QUALITY.....</b>	<b>52</b>
6.1	Business climate.....	52
6.2	Financial Governance.....	53
6.3	Financial rating.....	54
<b>7</b>	<b>GOVERNMENT FINANCE .....</b>	<b>56</b>
7.1	Budget.....	56
7.2	Tax policies.....	59
7.3	Finance Act.....	60
<b>8</b>	<b>RISK FACTORS.....</b>	<b>62</b>
8.1	Homeland Security Risks.....	62
8.2	Social risks.....	62
8.3	Macroeconomic risks.....	62
8.4	Risks to resource mobilization.....	63
8.5	Health risks.....	64
8.6	Environmental risks.....	64
<b>9</b>	<b>DEBT SITUATION.....</b>	<b>66</b>
9.1	General description of the public debt.....	66
9.2	Debt Strategy and Sustainability.....	68
9.3	External debt.....	73
9.4	Domestic debt.....	76
9.5	Viability and Sustainability .....	77
<b>10</b>	<b>APPENDICES.....</b>	<b>79</b>
<b>11</b>	<b>LEXICON.....</b>	<b>80</b>



<b>AED</b>	: Arab Emirates Dirham
<b>AFD</b>	: Agence Française de Développement
<b>AfDB</b>	: African Development Bank
<b>AIDB</b>	: Blaise Diagne International Airport
<b>AIDS</b>	: Acquired Immunodeficiency Syndrome
<b>ANPEJ</b>	: National Agency for the Promotion of Youth Employment
<b>ANSD</b>	: National Agency of Statistics and Demography
<b>AOF</b>	: French West Africa
<b>APR</b>	: Alliance For the Republic
<b>BADEA</b>	: Arab Bank for Economic Development in Africa
<b>BBY</b>	: Benno Bokk Yaakar
<b>BCEAO</b>	: Central Bank of West African States
<b>BIC</b>	: Credit Information Bureau
<b>BOAD</b>	: West African Development Bank
<b>BOS</b>	: Operational Office for the Follow-up of PES
<b>C°</b>	: Celsius degree
<b>CET</b>	: Common External Tariff
<b>CFA</b>	: African Financial Community
<b>CGI</b>	: General Tax Code
<b>CHU</b>	: University Teaching Hospital
<b>CIA</b>	: Central Intelligence Agency
<b>CNDP</b>	: National Committee on Public Debt
<b>CNY</b>	: China Yuan
<b>CSM</b>	: Conseil Supérieur de la Magistrature
<b>CST</b>	: Special contribution from the telecommunications sector
<b>CTPB</b>	: Directorate of Public Accounting and Treasury
<b>CV</b>	: Current Value
<b>DER</b>	: General Delegation for Rapid Entrepreneurship
<b>DM</b>	: Debt Management
<b>DMC</b>	: Currency and Credit Division (Direction de la Monnaie et du Crédit)
<b>DPEE</b>	: Directorate of Forecasting and Economic Studies
<b>DPRE</b>	: Department of Educational Planning and Reform
<b>DSF</b>	: Debt Sustainability Framework
<b>DWCPs</b>	: Decent Work Country Programmes
<b>EIB</b>	: European Investment Bank
<b>ENES</b>	: National Survey on Employment in Senegal
<b>EPPB</b>	: General Directorate of Planning and Economic Policies
<b>ESEC</b>	: Economic, Social and Environmental Council
<b>ESF</b>	: Energy Support Fund
<b>EUR</b>	: Euro
<b>F</b>	: Degree Fahrenheit
<b>FECT</b>	: Fonds d'Equipement des Collectivités Territoriales
<b>FIDA</b>	: International Fund for Agricultural Development
<b>GATT</b>	: General Agreement on Tariffs and Trade
<b>GBP</b>	: Great Britain Pound
<b>GDP</b>	: Gross Domestic Product
<b>HCCT</b>	: High Council of Territorial Collectivities

<b>HDI</b>	: Human Development Index
<b>HID</b>	: Dakar International Hospital
<b>HIMO</b>	: Program of High Intensity Workforce Investments
<b>HIV</b>	: Human Immunodeficiency Virus
<b>IBRD</b>	: International Bank for Reconstruction and Development
<b>ICPE</b>	: Instrument for Economic Policy Coordination
<b>ICS</b>	: Chemical Industries of Senegal
<b>IDA</b>	: International Development Association
<b>IDE</b>	: Foreign Direct Investment
<b>IFC</b>	: International Finance Corporation
<b>ILO</b>	: International Labour Office
<b>IMF</b>	: International Monetary Fund
<b>INF</b>	: Inferior
<b>IRSESEF</b>	: Institute for Health Research, Epidemiological Surveillance and Training
<b>ISDA</b>	: International Swaps and Derivatives Association
<b>IsDB</b>	: Islamic Development Bank
<b>ISIN</b>	: International Securities Identification Numbers
<b>ISPE</b>	: Economic Policy Support Instrument
<b>ISPE</b>	: Economic Policy Support Instrument
<b>JPY</b>	: Japan Yen
<b>LFI</b>	: Initial Finance Act
<b>LFR</b>	: Amended Finance Act (Loi de Finances Rectificative)
<b>MDGs</b>	: Millennium Development Goals
<b>MIGA</b>	: Multilateral Investment Guarantee Agency
<b>MTDS</b>	: Medium Term Debt Strategy
<b>NHPD</b>	: General Delegation for Social Protection and National Solidarity
<b>NOC</b>	: National Oncology Center
<b>OPEC</b>	: Organization of Petroleum Exporting Countries
<b>PACASEN</b>	: Support Program for Municipalities and Agglomerations in Senegal
<b>PAP</b>	: Priority Action Program
<b>PES</b>	: Plan for an Emerging Senegal
<b>PNBSF</b>	: National Family Security Grant Program
<b>PNDS</b>	: National Health Development Plan
<b>PPP</b>	: Public Private Partnership
<b>PRACAS</b>	: Programme d'Accélération de la Cadence de l'Agriculture Sénégalaise
<b>PREAC</b>	: Business Environment and Competitiveness Reforms Program
<b>PREV</b>	: Forecast
<b>PTIP</b>	: Triennial Public Investment Program
<b>PUDC</b>	: Emergency Program for Community Development
<b>PUMA</b>	: Emergency Program for the Modernization of Border Areas and Territories
<b>RGPHAE</b>	: General Census of Population and Housing, Agriculture and Livestock
<b>SAR</b>	: Société Africaine de Raffinage
<b>SAR</b>	: Saudi Arabia Riyal
<b>SDGs</b>	: Sustainable Development Goals
<b>SENELEC</b>	: National Electricity Company
<b>SEZ</b>	: Special Economic Zones
<b>SFD</b>	: Decentralized Financial Systems
<b>SMEs</b>	: Small and medium-sized enterprises
<b>SMIs</b>	: Small and medium industries

<b>SOMIVA</b>	: Société Minière de la Vallée du Fleuve
<b>SUP</b>	: Superior
<b>T-bill</b>	: Treasury Bill
<b>T-bond</b>	: Treasury bond
<b>TER</b>	: Regional Express Train
<b>TMP</b>	: Weighted average rate
<b>TPS</b>	: Tax on the Provision of Services
<b>TT</b>	: Turnover Tax
<b>UC</b>	: Unit of Account
<b>UCAD</b>	: Cheikh Anta Diop University of Dakar
<b>UNAIDS</b>	: The Joint United Nations Programme on HIV/AIDS
<b>UNDP</b>	: United Nations Development Programme
<b>USAID</b>	: United States Agency for International Development
<b>USD</b>	: United States Dollar
<b>VAT</b>	: Value Added Tax
<b>WAAPP</b>	: West Africa Agricultural Productivity Program
<b>WAEMU</b>	: West African Economic and Monetary Union
<b>WAMU</b>	: West African Monetary Union
<b>WEO</b>	: World Economic Outlook
<b>WHO</b>	: World Health Organization
<b>WTO</b>	: World Trade Organization
<b>XOF</b>	: West African CFA Franc

REPUBLIQUE DU SENEGAL  
UN PEUPLE – UN BUT – UNE FOI

MINISTRE DES FINANCES  
ET DU BUDGET



DIRECTION GÉNÉRALE DE LA COMPTABILITÉ  
PUBLIQUE ET DU TRÉSOR



N° 465 /MFB/DGCPT/DDP

Dakar, le

04 FEV 2022

### Attestation de l'émetteur

Je soussigné, Abdoulaye Daouda DIALLO, Ministre des Finances et du Budget, agissant au nom et pour le compte de l'État du Sénégal, atteste que les données et informations contenues dans la présente Note d'Information sont conformes à la réalité et que je n'ai connaissance d'aucune information de nature à en altérer la portée.

L'objectif visé à travers cette Note d'Information est de porter à l'attention des investisseurs sur les titres publics émis par l'État du Sénégal, toutes les informations utiles à la prise de décisions d'investissement.

Toutefois, je rappelle que les informations et analyses prospectives présentées dans ce document, sont basées sur des projections établies à partir d'hypothèses qui sont caractérisées par des incertitudes pouvant entraîner des différences entre les réalisations effectives et les performances économiques attendues.

Cette note d'information publiée sera mise à jour chaque fois que nécessaire, afin de rendre compte :

- de l'évolution de la situation économique du Sénégal ;
- de la disponibilité ou de la mise à jour des données économiques ;
- de quelques changements intervenus.




Senegal, whose capital is Dakar, is one of the most stable democracies in Africa. The country is located on the westernmost point of the African continent on the Atlantic coast with a population estimated at 16,705,608 in 2020 by the National Agency of Statistics and Demography (ANSD). Senegal is the second largest economy in the WAEMU zone in terms of GDP (CFAF 13 6554 billion in 2019<sup>1</sup>) after Côte d'Ivoire.

Prior to the government's adoption of the Plan for an Emerging Senegal (PES) in January 2014, Senegal experienced a long period of relatively slow growth. The goal of PES was to accelerate Senegal's economic development and transform the country into an emerging economy by 2035. From 6.4 percent in 2015, Senegal's real GDP growth was 7.4 percent in 2017 and 4.4 percent in 2019 according to the Directorate of Forecasting and Economic Studies (DPEE). Economic activity is expected to decline in 2020, with real GDP growth estimated at 1.5% due to the global health crisis. The measures included in the Economic Resilience Program (PRES) coupled with the adjusted and accelerated Priority Action Plan II (PAP 2A) should lay the foundation for a rapid and consolidated recovery of the national economy. In 2021, real GDP growth is expected to reach 3.7%, i.e. an increase of 2.2 percentage points compared to 2020.

Senegal has managed to maintain a relatively diversified economy in the years leading up to COVID-19. The services sector (tertiary) has been the most significant, contributing 45.7 percent to nominal GDP in 2019 due to its dynamism and continued growth. In the same year, the secondary and primary sectors accounted for 23.1 % and 15.0 % of nominal GDP respectively. However, in 2020, given the health crisis, the tertiary sector would fall by 1.4%.

Senegal gained independence from France in 1960. The current president, Macky Sall, was elected in 2012 and was re-elected for a second term in 2019. Senegal's parliament currently consists of a unicameral chamber called the National Assembly. The Parliament has 165 seats, with members elected for five years by universal suffrage (105 by majority vote and 60 by proportional representation).

<sup>1</sup> DPEE (juin 2021)

# Republic of Senegal



Area :

**196 722 km²**

Population en 2020

**16 743 930 Hbts**

(Source : World Bank )



Capital

**Dakar**

Political system

**Presidential**

Currency

**CFAF**

Official Language

**French****Nominal GDP in 2020**

**14 184.9** billions  
of FCFA

Source : DPEE

- Economy based on **agriculture**, **fishing**, **tourism** and **services**
- Growth rate of real GDP in 2020 : **1.5%**
- Indebtness rate in 2020 : **62.6%** of GDP

## 1.1 Political system

The first constitution of Senegal was adopted on 24 January 1959. Thus, Senegal became part of the Federation of Mali. On April 4, 1960, in an agreement with the government of General Charles de Gaulle, Léopold Sédar Senghor obtained the independence of the Federation of Mali, which united Senegal and French Sudan (now Mali), two colonies of French West Africa. Independence became effective on June 20 and Senegal withdrew from the federation on August 20 of the same year. Léopold Sédar Senghor became President of the new Republic of Senegal. The constitution was amended on March 7, 1963 to establish a presidential system.

Senegal is a Republic headed by a President, who is the Head of State. The President of the Republic is elected by direct universal suffrage and a two-round majority vote. The President's term of office, which can be renewed once, is now five years. His government is in principle under the supervision of the Prime Minister, who is appointed by the President. However, since May 2019, the President has enacted a constitutional law abolishing the post of Prime Minister. Executive power is held by the government and legislative power by the parliament.

### 1.1.1 The Executive Branch

The President is elected by direct universal suffrage with a two-round majority vote for a term that is now five years, renewable once. The current President, Mr. Macky SALL, was re-elected on February 24, 2019 with 58.27% of the vote for a second 5-year term ending in 2024.

Under the Constitution, the President of the Republic is the guardian of the Constitution and the guarantor of the regular functioning of institutions, independence and territorial integrity. In the performance of his duties, the President is the commander-in-chief of the armed forces.

The president selects members of the government and appoints by decree members of the Constitutional Council, the court responsible for validating the constitutionality of laws, for a non-renewable term of six years.

The President also appoints the 80 members of the Economic, Social and Environmental Council (ESEC). For the High Council of Territorial Communities (HCCT), the President appoints 70 members and the remaining 80 are elected by indirect univer-

sal suffrage. In addition, he also appoints senior civil servants.

In the event of the death of the Head of State, the President of the National Assembly assumes the office of President of the Republic and holds presidential elections between 60 and 90 days after the Constitutional Council confirms the vacancy of the office of the executive.

Since its independence in 1960, Senegal has had four Heads of State, all of whom were democratically elected: Léopold Sédar Senghor (1960-1980), Abdou Diouf (1981-2000), Abdoulaye Wade (2000-2012) and Macky Sall (in office since 2012).

### 1.1.2 Legislative power

The National Assembly has 165 seats. Its members are elected by universal suffrage for five years. The President of the National Assembly is elected for a five-year term by its members. The current President of the National Assembly is Mr. Moustapha Niasse, re-elected on September 14, 2017. The National Assembly is in parliamentary session from October to June.

Parliament oversees the activities of the government through written and oral questions. It may also resort to a motion of censure on its own initiative, in which case the government must immediately submit its resignation to the President.

The last legislative elections of July 30, 2017 were won by the Benno Bokk Yaakar coalition, with 49.5% of the votes cast. In total, the ruling coalition won 125 seats out of 165, 97 of which went to President Macky SALL's party Alliance Pour la République. The Wattu Senegal coalition of former President Abdoulaye Wade won 19 seats and the coalition of the Mayor of Dakar (Taxawu Senegal), Khalifa SALL, won 7 seats.

### 1.1.3 Judicial power

Senegal has inherited many of its legal texts from the French civil law system. The main sources of law in Senegal are the Constitution, international treaties, legislation passed by Parliament and government decrees. Senegal's legal texts are published in the Journal Officiel de la République du Sénégal, by the General Secretariat of the Government.

Senegal's judicial system is made up of the Constitutional Council, the Supreme Court, the Court of Ac-

counts, the High Court of Justice, and lower courts. The Constitutional Council and the Supreme Court represent the highest judicial bodies in Senegal. The Constitutional Council is responsible for protecting constitutional and legal rights, resolving conflicts between the executive and legislative branches, and regulating the electoral process. Its decisions cannot be appealed.

The constitutional law in April 2016 increased the number of judges on the Constitutional Council from five to seven, appointed for six years. The Constitutional Council has the power to determine the conformity of laws with the constitution and can veto

proposed laws that are deemed unconstitutional before they come into effect.

The Supreme Court is the highest administrative and judicial court and the forum for judicial review of the activities of the President, the government and other public bodies. It also has an advisory role, as the President, Parliament and government may refer draft laws and regulations for legal advice.

The High Court of Justice rules on allegations of treason or violation of the oath made against the President and allegations of crimes or conspiracy threatening the security of the Republic against ministers.

## 1.2 Administrative organization

Senegal is divided into 14 regions, each administered by a governor. Each region is divided into administrative departments, which are in turn subdivided into arrondissements. Administrative departments are headed by prefects and each arrondissement is presided over by a sub-prefect. Villages in rural areas and districts in urban areas constitute the smallest

regions of administrative authority and are managed by village chiefs and district chiefs respectively. Governors, prefects and sub-prefects are appointed by the President, and village chiefs and neighborhood chiefs are appointed or recognized by sub-prefects and prefects respectively.

## 1.3 Geographic location

Senegal is located at the westernmost point of the Atlantic coast of the African continent. The Republic, with an area of 196,722 km<sup>2</sup>, is bordered to the north by Mauritania, to the east by Mali, to the south by Guinea and Guinea-Bissau, to the west by Gambia and by the Atlantic Ocean on a coastline of 531 km. The capital, Dakar, is located on a peninsula on the west coast with an area of about 500 km<sup>2</sup>. The country is flat with a sandy soil not exceeding 130 meters in altitude, except for the southeastern border near Guinea. Three major rivers cross Senegal:

the Senegal River in the north (1,641 km long), the Gambia River (1,120 km long) and the Casamance River (300 km long) in the south.

The climate is tropical, hot and humid with an average temperature of 17°C during the dry season (November to June) and 27°C during the rainy season (July to October). The landscape is characterized by three types of vegetation: forest in the south, savanna in the interior and steppe in the north.

## 1.4 Population

According to the last ANSD population census in 2013, Senegal's population was approximately 13.5 million and had an annual growth rate of 2.5 percent from the last census in 2002. The next census is

scheduled for 2023. According to ANSD, Senegal's population was estimated at 16.70 million in 2020 and is expected to reach 17.20 million in 2021.

**Table 1. Population of Senegal in 2020**

Category	2019	2020	2021*	% in 2021
Urban	7 602 080	7 546 988	8 160 493	47.38 %
Rural	8 607 045	9 158 620	9 063 004	52.62 %
Male	8 068 782	8 314 250	8 566 367	49.74 %
Female	8 140 343	8 391 358	8 649 066	50.22 %



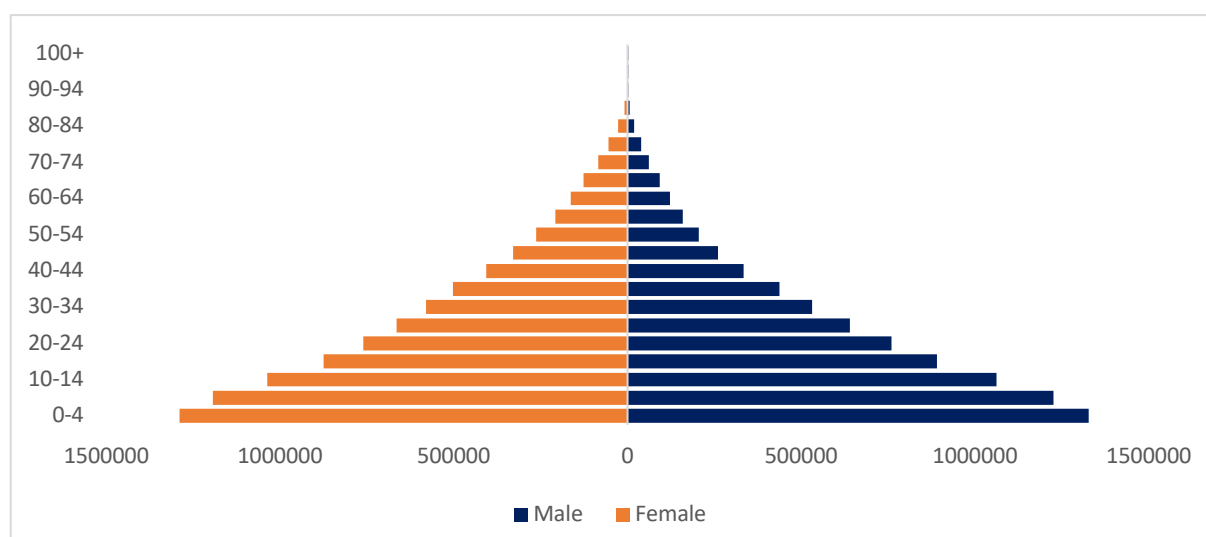
Total Population	16 209 125	16 705 608	17 223 497	-
------------------	------------	------------	------------	---

Source: ANSD; \*projection ANSD

According to ANSD data, Senegal's population will increase from 11.8 million in 2008 to 16.7 million in 2020. The average annual growth rate would be 3.9%. The agency says Senegal's population in

2020 is characterized by a very young population, with more than half of the population under 20 years of age (51.6 percent). People aged 65 and over represent 4.7% of the country's total population.

**Figure 1: Age pyramid for Senegal in 2020**

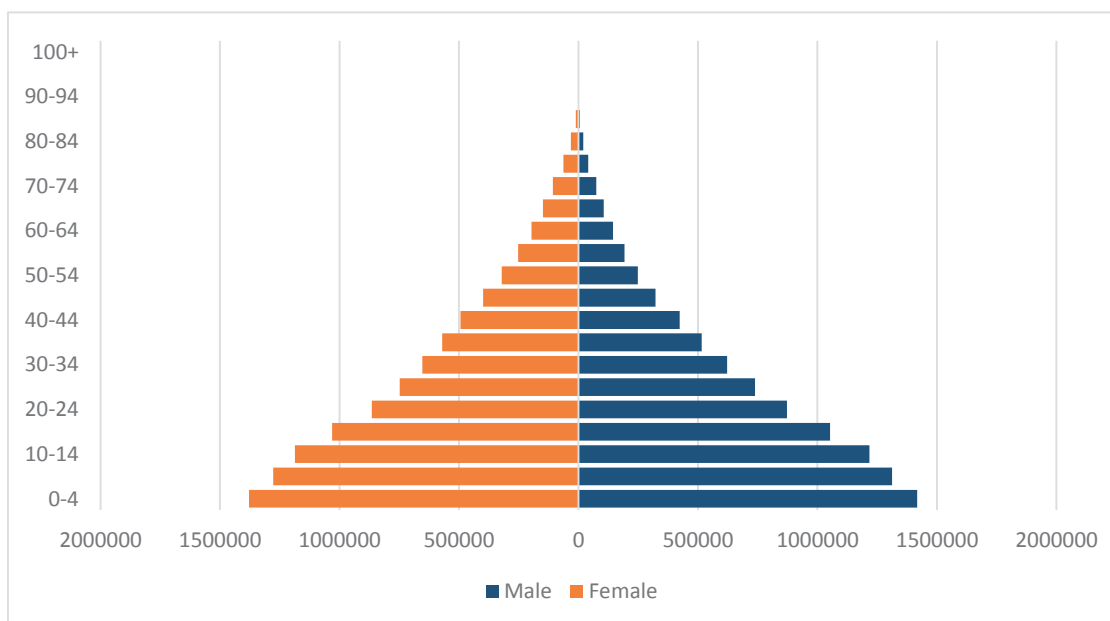


Source : 2020[https://www.populationpyramid.net/fr/Sénégal/](https://www.populationpyramid.net/fr/Sénégال/)

According to ANSD report on the demographic structure of Senegal in 2020, the population is composed of 49.8 percent men and 50.2 percent women. However, there are some disparities among age groups. Men outnumber women in the under-23 age group: 51.0 percent for men versus 49.0 percent for women. Women are more numerous in the 23-80 age group: 52.0% versus 48.0% for men.

According to ANSD, in 2020, more than half of Senegal's population lived in rural areas (54.8 percent) compared to 45.2 percent in urban areas. The population of the Dakar region was about 3.83 million in 2020, representing 23.0 percent of the total population.

Figure 2. Projection of the age pyramid for Senegal in 2025



Source : <https://www.populationpyramid.net/fr/Sénégals/>

Table 2. Population distribution by area of residence in 2020 and projections

Indicators in % of total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Urban	46	46.2	46.5	46.7	46.9	45.2	47.4	47.6	47.8	47.9	48.2
Rural	54	53.8	53.5	53.3	53.1	54.8	52.6	52.4	52.2	52.0	51.8

Source: ANSD Population Projection Report

## 1.5 Education

The education system in Senegal is organized into two sectors:

- Formal education, which is composed of pre-school education, elementary education, junior and senior secondary education, technical education and vocational training and higher education.

- Non-formal education, which essentially includes literacy.

Senegal's gross primary school enrollment rate rose from 85.1% in 2016 to 86.5 % in 2018 according to ANSD. The gross enrollment rate for middle school rose from 53.9 % in 2016 to 49.6% in 2018. Secondary education had a gross enrollment rate of 33.5 % in 2016 and 33.8 % in 2018.

Table 3. Gross Enrollment Rates by Level of Education

Indicators (%)		2016	2017	2018	2019
Gross Enrollment Rate at	Boys	81	80.2	80.4	87.6
The elementary school	Girls	89.3	92.2	92.6	76.7
Gross Enrollment Rate at	Boys	50.7	47	45.9	-
Junior	Girls	57.1	54.3	53.3	-

Indicators (%)		2016	2017	2018	2019
Gross Enrollment Rate at	Boys	34.2	33.5	33.1	49.1
Secondary	Girls	32.8	33.7	34.6	43.4

Source: School census 2018-DPRE/MEN : <http://uis.unesco.org/fr/country/sn>

Higher education has experienced significant growth in the number of students, estimated at over 160,000 in 2018. The large influx of enrollment has posed

problems for public universities to accommodate the growing number of students, despite the emergence of private institutions.

## 1.6 Health

The Senegalese health system is organized in a pyramidal structure with three levels: central, intermediate and peripheral. The central level corresponds to the top of the pyramid and includes the ministerial departments and the university hospital centers. The intermediate level refers to the medical region and the regional hospital centers. The base of the pyra-

mid structure is the health district in which the health posts and health centers are located. The number of physicians in the public sector according to the Senegalese Health and Social Statistics Yearbook in 2016 was 1,154, nurses employed by the State were 1,445, and midwives numbered 1,524.

**Table 4. General statistics indicating the health status of the population**

Indicators	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Life expectancy of men	64.4	64.8	65.3	65.8	66.2	66.7	67.1	67.6	68	68.5	68.9
Life expectancy of women	66.8	67.2	67.7	68.1	68.5	69	69.4	69.8	70.3	70.7	71.1
Total life expectancy	65.6	66	66.5	66.9	67.4	67.8	68.3	68.7	69.2	69.6	70
Infant mortality rate (0-1 year)	44.7	43.2	41.6	40.1	38.6	37.1	35.8	34.4	33.1	31.8	30.6
Infant and child mortality rate (0-5 years)	66.4	63.7	61	58.3	55.6	53.1	50.7	48.4	46.1	44	41.8

Source: ANSD and WHO

The table above shows that life expectancy in Senegal has increased from 65.6 years in 2015 to 67.8 years in 2020. This rate is projected to be 70 years in 2020 by ANSD. Senegal's health policy is defined in the National Health and Social Development Plan (PNDSS) for the period 2019 to 2028. The implementation of the PNDSS 2019-2028 is supported by the vision of a Senegal where all individuals, households and communities have universal access to quality health and social services without any form of exclusion and where they are guaranteed an economically and socially productive level of health and well-being. The plan aims to achieve universal health coverage in Senegal. It is based on three strategic axes and 15 intermediate results:

### – Governance and financing

In the context of governance and financing of health and social action, the challenges can be summarized as follows:

- Control System Improvement;
- Strengthening the steering and coordination of the sector, particularly at the intermediate level;
- Mobilization of domestic and external resources;
- Efficiency in the use of resources.

### – Health and social services offer

The challenges of providing health and social services are:

- Implementation of the Sectoral Investment Program (SIP) in accordance with the standards established by the health map;
- Strengthening national and international health security;
- Improved Emergency Management;

- iv. Improving the care of the mother-child and teenagers;
- v. Availability of quality drugs and other health products;
- vi. Strengthening primary health care;
- vii. Strengthening health promotion and prevention;
- viii. Improved control of major endemic diseases.

#### – Social protection

In the area of social protection, the following challenges have been identified:

- i. Strengthening health insurance implementation mechanisms;
- ii. Coherence of the various interventions for an effective and efficient social protection;
- iii. Strengthening community participation and engagement.

According to ANSD estimates, the infant and child mortality rate (children under age 5) declined from 66.4% in 2015 to 53.1% in 2020. This decline is part-

ly attributable to a significant improvement in national immunization coverage, which rose from 59% of children aged 12-23 months in 2005 to 76.6% in 2018.

According to the World Bank, the maternal mortality ratio was 315 deaths per 100,000 live births in 2017, a decrease of 26.2 percent from 2005.

26.2 percent from 2005. However, this decline was insufficient to meet the Millennium Development Goal (MDG) of 127 deaths per 100,000 live births by 2015.

Malaria remains the leading cause of death in Senegal. In fact, according to WHO, the number of deaths due to malaria decreased from 1,275 in 2000 to 526 in 2015, a reduction of 58.8%. According to World Bank estimates, the HIV/AIDS prevalence rate in Senegal was 0.4 % in 2019, which is lower than the current average for other West African countries.

Like all countries in the world, the country is facing the COVID-19 pandemic with 40,249 cases, of which 38,991 cured, 1,107 dead and 150 are under treatment as of April 28, 2021.

## 1.7 Employment

According to ANSD, the labor force was estimated at 43.60 percent of the working-age population in the fourth quarter of 2020. The labor force varied by area of residence, with 49.2 percent in urban areas and

34.9 percent in rural areas. The rate also varied by gender, with 55.1 percent of working-age men in the labor force compared with 30.4 percent of women.

According to the World Bank, the working population has varied between 3.7 million and million 4.2 individuals over the period 2015-2020.

**Table 5. Distribution of the working population**

Indicators	2015	2016	2017	2018	2019	2020
<b>Total working population</b>	3 762 684	3 878 098	3 996 440	4 122 275	4 252 308	4 255 232
<b>Female</b>	40.2 %	40.2 %	40.3 %	40.4 %	40.5 %	40.5 %
<b>Male</b>	59.8 %	59.8 %	59.7 %	59.6 %	59.5 %	59.5 %

Source: World Bank (World Development Indicators)

The size of the informal economy in Senegal makes it difficult to account for the unemployment rate, but according to ANSD, the unemployment rate for people of working age (15 years or older) was estimated at 16.9 percent in the fourth quarter of 2019. It is slightly higher in rural areas, where 18.7 percent

of the working population is unemployed, compared with 15.5 percent in urban areas. Unemployment is higher among women (27.6 percent) than men (8.6 percent).



**Table 6. Unemployment Rate Indicators**

Indicators	2017	2018	2019
Unemployment rate	15.70 %	14.30 %	16.90 %
Female	22.10 %	24.10 %	27.60 %
Male	9.60 %	6.20 %	8.60 %
Rural	13.10 %	16.00 %	18.70 %
Urban	18.60 %	12.50 %	15.50 %

Source: ANSD (ENES)

## 1.8 Reminder of the main aggregates

### 1.8.1 Level of Development

The HDI is developed by the United Nations Development Programme (UNDP) and provides a summary measure to assess long-term progress along three basic dimensions of human development: a long and healthy life, access to education and a decent standard of living.

In 2020, the value of the Human Development Index (HDI) in Senegal was established at (0.512 for a value of 1 at most) positioning the country at the 168th place out of 189 countries according to the last UNDP report. Senegal has fallen two places since it was ranked 166th in the last report. Nevertheless,

between 1990 and 2020, the HDI value in Senegal rose from 0.376 to 0.512, an increase of 36.2%.

The GINI index measures the degree of inequality in the distribution of money income. The closer the value is to zero, the more egalitarian the distribution of income in society. Conversely, the closer the value is to 100, the more unevenly income is distributed throughout society. In light of the new dynamics set in motion by the PES, income inequality has been decreasing, as evidenced by the GINI index, which has gone from 39.6 in 2014 to 36 in 2018 according to the Ministry of Finance.

**Table 7. Real GDP per capita**

National economy	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Forecast
Real GDP (in billions of CFAF)	10 397.4	11 059.7	11 877.4	12 614.9	13 170.3	13 367.8	13 867.5
Real GDP per capita (CFAF)	724 227.1	747 284.3	778 523.8	802 168.2	812 523.0	800 198.9	805 147.8
Population	14 356 575	14 799 859	15 256 346	15 726 037	16 209 125	16 705 608	17 223 497

Source: DPPE, ANSD

### 1.8.2 Summary table

**Table 8. Main macroeconomic aggregates (data in billions of CFAF, unless otherwise indicated)**

	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Forecast
<b>National economy</b>							
Nominal GDP	10 508.7	11 283.4	12 191.8	12 840.2	13 655.4	14 184.9	14 991.0
GDP Actual	10 397.4	11 059.7	11 877.4	12 614.9	13 170.3	13 367.8	13 867.5
Real GDP growth (%)	6.4	6.4	7.4	6.2	4.4	1.5	3.7
Investment rate (% of GDP)	25.6	25.2	29.6	32.5	31.7	30.3	30.1
Inflation <sup>3</sup> rate (in %)	1.1	0.9	0.6	-0.8	1.9	2.3	1.9
Balance of payments							

<sup>2</sup> PAP2 presentation report (T21-Isdg Senegal model simulation)

<sup>3</sup> Change in the GDP deflator

Exports FOB	1 669.2	1 703.5	1 907.8	2 147.4	2 594.4	2 226.3	2 463.4
Imports FOB	2 943.6	2 868.2	3 476.8	4 033.8	4 282.1	4 184.1	4 604.6
Trade balance	-1 274.4	-1 164.7	-1 569.0	-1 886.4	-1 687.7	-1 957.8	-2 141.2
<b>Current balance</b>	<b>-558.7</b>	<b>-472.5</b>	<b>-887.2</b>	<b>-1 230.4</b>	<b>-1 112.1</b>	<b>-1 739.3</b>	<b>-1 872.4</b>
<b>Public Finance</b>							
Revenues and grants	2 026.1	2 334.6	2 376.6	2 425.5	2 789.1	2 965.0	3 090.0
Total Expenditures	2 411.5	2 703.9	2 738.8	2 902.9	3 326.2	3 825.1	3 833.9
<b>Budget balance</b>	<b>-387.2</b>	<b>-369.3</b>	<b>-362.2</b>	<b>-477.6</b>	<b>-537.5</b>	<b>-903.0</b>	<b>-817.0<sup>4</sup></b>
<b>Budget balance (% of nominal GDP)</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-3.0</b>	<b>-3.7</b>	<b>-3.9</b>	<b>-6.4</b>	<b>-5.4</b>
<b>Public debt</b>							
Total public debt	4597.7	5312.2	5848.5	7036.4	7817.7	8903.4	9637.0
Domestic debt	1279.7	1597.8	1302.2	1426.5	922.1	1957.1	2168.1
External debt	3318	3714.4	4546.5	5610.4	6895.6	6946.2	7468.9
<b>Public debt (% of nominal GDP)</b>	<b>43.8</b>	<b>47.2</b>	<b>47.7</b>	<b>54.8</b>	<b>57.2</b>	<b>62.6</b>	<b>64.2</b>

Source: DPPE, DGCPT, BCEAO

<sup>4</sup> 2021 Finance Act (DPPE, 2021)

## 2.1 Evaluation of the Gross Domestic Product

### 2.1.1 Level of Gross Domestic Product

Senegal's nominal GDP increased from CFAF 10,508.7 billion in 2015 to CFAF 14,184.9 billion in 2020 and could reach CFAF 14,991.0 billion in 2021.

**Table 9. Nominal GDP**

	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Forecast
<b>Nominal GDP (in billions OF CFAF)</b>	<b>10 508.7</b>	<b>11 283.4</b>	<b>12 191.8</b>	<b>12 840.2</b>	<b>13 655.4</b>	<b>14 184.9</b>	<b>14 991.0</b>

Source: DPEE

### 2.1.2 Real GDP growth

Since the implementation of the Plan for an Emerging Senegal in 2014 (PES I and II<sup>5</sup>), the Senegalese economy has been on a new growth path averaging more than 6% over the 2015-2019 period. The real GDP growth rate in 2020, revised following Covid-19, is estimated at 1.5%<sup>6</sup> compared to 4.4% in 2019. Nevertheless, according to DPEE projections, it is expected to be 3.7 percent in 2021, a gain of 2.2 percentage points over 2020.

The average performance over the 2015-2020 period is largely explained by dynamic activity in the primary sector (9.0 %) and the good performance of the secondary sector (4.2 %) and the tertiary sector (4.3 %). Indeed, with the implementation of the Senegalese Agricultural Acceleration Program (PRACAS<sup>7</sup>), coupled with the redefinition of its priorities<sup>8</sup> in phase 2 and the measures taken under the Economic and Social Resilience Program (PRES<sup>9</sup>), the primary sector has been dynamic, with a real growth rate of 15.9% in 2020, compared with 4.5% a year earlier. This remarkable performance of the primary sector in 2020 is mainly due to the good performance of agriculture and related activities sub-sectors (23.4 percent). Fishing and livestock breeding are expected to be the sub-sectors most affected in the primary sector by the Coronavirus pandemic, with a decline in activity of 3.8% and 2.2% respectively in 2020<sup>10</sup>.

The secondary sector was hit hard by the Coronavirus crisis, which ultimately disrupted the supply

chain for goods and services. In 2020, the contraction of activity in the secondary<sup>11</sup> sector is explained in particular by the difficulties of the subsectors of manufacturing of food fats (- 47.0%), leather work and footwear (- 40.8%), other transport equipment (- 28.2%), fish processing and preservation activities, (-27.2%), sawing and planing of wood (-21.2%), paper, paperboard and paper products (-13.2%), petroleum refining (-11.50%), tobacco products (-8.30%), manufacture of dairy products and ice cream (-5.9%) and slaughtering, processing and preserving of meat (-4.9%).

On the other hand, the contraction of the secondary sector was mitigated by the good performance of the subsectors of Soap, perfume and cleaning products (+ 37.8%), Bread and pastry manufacturing (+ 14.7%), Rubber and plastic products (+ 13.8%), Sugar, chocolate and confectionery manufacturing (+ 11.1%), Cotton ginning and textile manufacturing (+ 10.8%), Construction (+ 7.8%), Electricity and gas (+ 7.8%), and the construction industry (+ 7.8%), chocolate and confectionery (+11.1%), cotton ginning and textile manufacturing (+10.00%), construction (+7.8%), electricity and gas (+6.90%), canned fruit and vegetables (+6.6%), water, sewerage and waste treatment (+5.80%) and mining and quarrying (+4.80%). In addition, the continued execution of major State projects, social housing programs and the construction of an Olympic stadium and local hotels in Diamniadio in preparation for the 2022 Youth Olympic Games (YOG) should bolster construction activity.

<sup>5</sup> PES Phase I, PES Phase II and adjusted PES Phase II. <sup>6</sup> Estimates revised to 1.5% against an initial forecast of 6.8% in the initial Finance Act (LFI-2020) in September 2019. This contraction in economic activity in 2020 is linked to the Covid-19 pandemic, which has had a negative impact on the global economy and, in turn, on the Senegalese economy, resulting in the closure of borders, schools and universities, the restriction of intercity transport and the introduction of a curfew. <sup>7</sup> Agricultural component of PES with rainfall adaptation programs. <sup>8</sup> In Phase II of the PRACAS, the priorities are articulated around: (i) intensification of agricultural production; (ii) water management; (iii) development and marketing of agricultural products; (iv) quality management and; (v) research and development. <sup>9</sup> Senegal has developed a response plan to the Covid-19 crisis, called the Economic and Social Resilience Program (ESRP), aimed at strengthening the health system, supporting the population and mitigating the negative effects of the crisis on businesses. It is divided into four (04) areas, namely (i) health, (ii) social resilience, (iii) support for the private sector and job preservation, and (iv) securing the supply of basic foodstuffs, energy, hydrocarbons and pharmaceutical products. The financing of the ESRP is estimated at 1,000 billion, or 7.0% of GDP. As of November 4, 2020, disburseable expenditures are estimated at 628.4 billion. They are made up of 558.4 billion in budgetary expenditures and a cash flow operation of 70 billion. <sup>10</sup> In conjunction with the measures taken by the Senegalese authorities, including the closure of land, air and sea borders. <sup>11</sup> With a near-zero real growth rate of 0.1% in 2020 compared to +3.7% in 2019, a decline in activity of -3.6% in 2020.

<sup>12</sup> Revised estimate taking into account the effects of COVID-19 (DPEE, June 2021). <sup>13</sup> Public administration services.

**Table 10. Senegal's real growth trend from 2015 to 2020 (%)**

SENEGAL	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Forecast
Real GDP	6.4	6.4	7.4	6.2	4.4	1.5	3.7
Primary sector	10.6	5.4	11.5	8.1	4.5	15.9	4.7
Secondary sector	9.8	3.6	7.1	6.5	3.7	0.1	4.6
Tertiary sector	2.6	7.2	5.9	5.0	4.4	-0.7	3.1
Non-market GDP	10.7	10.7	5.0	8.5	5.6	4.8	3.0
Goods and services taxes	8.9	8.1	10.9	6.9	5.0	-7.2	3.4

Source: DPEE

In the tertiary sector, activity is projected to increase by an average of 4.30 percent over the 2015-2020 period, despite the downturn observed in 2020. The tertiary sector, which accounts for more than 40% of GDP, is expected to fall by 5.1 percentage points in 2020 compared with the previous year. The direct negative effects of Covid-19 have not spared any sub-sector of the tertiary sector: activities of a collective or personal nature (-57.2%), accommodation and food services (-18.7%), office support services (-7.1%), education services (-5.8%) and transport services (-3.5%).

Some activities have nevertheless resisted the negative effects of the pandemic with moderate increases in activity. These are mainly real estate activities (+ 3.1 %), trade (+ 2.0 %), specialized, scientific and technical services (+ 1.6 %), health and social work activities (+ 1.5 %), financial and insurance services (+ 1.4 %), domestic services (+ 1.8 %) and to a lesser degree domestic services (+ 0.7 %).

The current value added of the primary sector increased from CFAF 1,500.9 billion in 2015 to CFAF 2415.1 billion in 2020, with a projected value of CFAF 2538.60 billion in 2021. The share of the primary sector in GDP increased between 2015 and 2020 from 14.3% in 2015 to 17.00% in 2020. This rate would be 16.90 percent in 2021.

The value added of the secondary sector is projected at CFAF 3293.20 billion in 2020 and contributed 23.0 2percent to GDP, compared with 23.1 percent in 2019. It is projected to reach 23.90% in 2021.

Compared to other sectors, the tertiary sector has a large share in Senegal's GDP. Indeed, in 2015, it accounted for 46.4 percent of GDP. A slight decline was observed between 2015 and 2019: the share of the tertiary sector in GDP fell from 46.4 percent to 45.0 7percent. Estimates for the years 2020 and 2021 indicate that this trend should continue, with the share of the tertiary sector representing 44.30 percent and 43.60 percent respectively.

### 2.1.3 Decomposition of GDP

**Table 11. Decomposition of GDP by structure (%)**

	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Forecast
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary sector	14.3	14.4	15.0	15.0	15.0	17.0	16.9
Secondary sector	23.6	23.3	23.3	24.0	23.1	23.2	23.9
Tertiary sector	46.4	46.8	47.0	46.6	45.7	44.3	43.6
Non-market GDP	5.1	5.2	5.2	5.5	5.5	5.7	5.7
Goods and services taxes	10.7	10.3	9.6	8.8	10.7	9.8	9.9

Source: DPEE

## 2.2 Gross domestic product details

### 2.2.1 GDP in value, detail of sectors

The breakdown of GDP in value by sector in 2020 was CFAF 2415.1 billion for the primary sector, CFAF

3293.20 billion for the secondary sector and CFAF 6278.03 billion for the tertiary sector.



The primary sector's share of GDP is expected to increase from CFAF 1,500.9 billion in 2015 to CFAF 2538.60 billion in 2021, according to DPEE<sup>14</sup> forecasts. Specifically, agriculture and related activities subsector contributed CFAF 1,627.1 billion in 2020 and is expected to contribute CFAF 1,706.6 billion in 2021. As for the forestry sector, its share is smaller. In 2015, for example, its value was CFAF 48.6 billion. In 2020, it is estimated at CFAF 58.4 billion and, in 2021, it is projected at CFAF 61 billion. The fisheries sector had a share of GDP of CFAF 127.8 billion in 2015, CFAF 229.40 billion in 2020 and will reach CFAF 251.50 billion in 2021.

The secondary sector contributed CFAF 2,478.6 billion to GDP in 2015, CFAF 3293.2 billion in 2020, and is expected to contribute CFAF 3586.3 billion in 2021. In more detail, the extractive sector<sup>15</sup> accounted for CFAF 281.6 billion in 2015, CFAF 480.1 billion in 2019 and CFAF 593.7 billion in 2020. Extractive activities are in continuous progression over the period under review (2015-2020), notably an increase of 113.6 billion CFA FRANCS in 2020 compared to 2019 despite the context of the Covid-19 pandemic. In 2021, its value is projected at CFAF 718.9 billion. This upward trend is explained by an improvement in phosphate, zircon and gold production. The good performance of phosphate production is linked to the finalization of the investment phase in the Industries Chimiques du Sénégal (ICS) as well as to the strengthening of the production of the Société Minière de la Vallée du Fleuve (SOMIVA) and of LAM-LAM phosphates. The performance of zircon is linked to the exploitation of the Grande Côte and Nianfarang deposits. In addition, gold production should experience an upward trend with the operation of a new mine in the Kédougou area.

As for refining activities, the sub-sector accounted for a smaller share, i.e. CFAF 85.6 billion in 2015, CFAF 23.1 billion in 2020 and CFAF 21.2 billion in 2021. The difficulties of the sub-sector are accentuated by the internal structural constraints of the Société Africaine de Raffinage (SAR).

Activity in the construction materials sub-sector continues to grow thanks to road and rail infrastructure works (CFAF 92.9 billion in 2020 compared with CFAF 82.1 billion and CFAF 86.4 billion in 2015 and 2019 respectively). In the construction sub-sector, the continued growth in economic activity is linked to private demand and public works.

In the energy sub-sector, production is also rising steadily. This increase is explained by strong demand for electricity linked to the accelerated development of urbanization and the reforms implemented by SE-

NELEC to increase production. Investment in new solar power plants has also helped boost electricity production. In addition, the electricity sector would benefit from the enhancement of production facilities through the commissioning of the DIASS solar power plant (55.2 MW) and the Taïba Ndiaye wind farm (120 MW)<sup>16</sup>. The sub-sector would also benefit from the rehabilitation and expansion of the production network as well as the development of the electricity access program, particularly in rural areas.

The good performance observed in the agri-food sub-sector is largely explained by the strong activity of the "slaughtering, processing and canning of meat", "manufacture of sugar, chocolate and confectionery", "manufacture of food fats" and "manufacture of cereal food products" branches.

The tertiary sector has contributed strongly to GDP. Between 2015 and 2020, its share rose from 4,873.4 to 6,278.3 billion CFA francs. According to DPEE forecasts, the GDP of this sector will reach CFAF 6,541.2 billion in 2021.

As for the transport sub-sector, between 2015 and 2019, it benefited from the good performance recorded by port activities and the firming up of air transport driven by the new Dakar International Airport (AIBD), but also by the activities of the new airline Air Sénégal. It increased from CFAF 383.3 billion in 2015 to CFAF 502.7 billion in 2019. Despite the pandemic, its value added is estimated at CFAF 510.1 billion in 2020, an increase of CFAF 7.4 billion. The transport sector is one of the first and hard hit sectors by the Covid-19 pandemic. Travel restrictions imposed by governments in response to the spread of the disease, followed by progressive decisions to close borders, have led to a significant decline in the transport sub-sector. Also, rail transport has slowed down with the protraction in finalizing the TER, whose start of commercial operation, initially planned for the first quarter of 2020, has been postponed to 2021.

The trade subsector reached CFAF 1900.4 billion in 2020 compared to CFAF 1 821.8 billion in 2019, an increase of CFAF 78.6 billion despite the Covid-19 pandemic. The sub-sector seems to have resisted the negative effects of Covid-19. Its value added is projected at CFAF 1,998.8 billion in 2021.

The value added of the information and communication subsector is estimated at CFAF 539.2 billion in 2020, compared with CFAF 534.4 billion in 2019, an increase of CFAF 4.8 billion over the previous year.

With regard to financial and insurance services, an increase in value added is also observed in 2020

<sup>14</sup> ECD (June, 2021) <sup>15</sup> Of which oil and gas production <sup>16</sup> In Senegal, several projects have been launched over the past few years to increase the capacity of the electricity sector. One of these is the construction of the Malicounda thermal power plant, which is more than 95% complete, according to the national electricity company.

with an estimated growth of 1.4% (CFAF 344.7 billion in 2020 compared to CFAF 339.9 billion in 2019). This sub-sector continues to be positively impacted by the structuring projects of PES and the reform of

the credit information bureaus (BIC), which will make it possible to remove the asymmetry of information between credit institutions and their clients.

**Table 12. Sectoral distribution of GDP in value**

In billions of CFAF at current prices	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Prev.
<b>Primary sector</b>	<b>1 500.9</b>	<b>1 626.4</b>	<b>1 826.6</b>	<b>1 924.5</b>	<b>2 046.6</b>	<b>2 415.1</b>	<b>2 538.6</b>
Agriculture and related activities	927.6	960.9	1 123.1	1 202.8	1 294.9	1 627.1	1 706.6
Livestock and hunting	396.9	453.4	463.5	467.9	491.6	500.1	519.5
Forestry, logging	48.6	51.0	53.9	54.2	56.2	58.4	61.0
Fishing and fish farming	127.8	161.2	186.1	199.6	203.9	229.4	251.5
<b>Secondary sector</b>	<b>2 478.6</b>	<b>2 634.0</b>	<b>2 838.0</b>	<b>3 083.3</b>	<b>3 153.6</b>	<b>3 293.2</b>	<b>3 586.3</b>
Extractive activities <sup>17</sup>	281.6	261.3	317.9	443.5	480.1	593.7	718.9
Slaughtering, processing and conservation of meat	92.3	106.8	114.9	131.9	130.2	124.7	137.1
Processing and conservation of fish, shellfish and mollusks	132.6	117.2	126.7	113.6	108.7	85.9	88.4
Manufacture of food fats	83.9	76.7	71.0	74.4	64.8	35.5	38.5
Husked rice and flours	82.2	128.0	137.2	143.9	163.2	163.7	180.6
Animal feed manufacturing	29.9	32.8	33.1	38.2	43.8	46.5	49.5
Bread and pastry making	71.1	84.7	84.7	89.5	93.4	106.3	113.7
Manufacture of cereal-based food products n.e.c,	33.9	34.9	36.3	38.7	40.2	42.7	44.2
Canned fruits and vegetables	42.3	40.9	41.5	44.9	48.3	54.8	58.2
Manufacture of dairy products and ice cream	69.8	61.5	63.3	62.6	60.9	57.5	59.6
Manufacture of sugar, chocolate and confectionery	53.6	64.2	60.4	70.1	63.3	71.4	72.3
Manufacture of other food products	69.4	74.8	78.2	88.3	88.4	87.4	91.2
Manufacture of beverages	82.5	89.4	94.3	89.0	86.8	84.3	89.8
Tobacco products	22.3	22.6	19.4	16.0	24.6	22.6	20.4
Oil refining, coking,	85.6	63.0	64.8	38.9	37.1	23.1	21.2
Chemical manufacturing	65.0	49.8	30.5	67.0	61.9	53.6	59.8
Building materials	82.1	87.4	91.0	85.6	86.4	92.9	96.5
<b>Cotton ginning and textile manufacturing</b>	<b>226.8</b>	<b>241.4</b>	<b>257.0</b>	<b>264.3</b>	<b>272.1</b>	<b>302.8</b>	<b>311.9</b>
Leather work; manufacture of travel goods; footwear	12.4	11.3	15.2	15.8	13.7	5.1	5.2
Sawing and planing of wood	53.8	53.7	54.9	59.3	58.6	47.3	48.6
Paper, cardboard and articles of paper or cardboard	31.6	32.5	33.0	34.8	36.3	31.5	32.9
Pharmaceutical products	13.9	13.1	9.9	11.9	11.5	10.9	11.3
Soaps, perfumes and cleaning products	34.5	39.2	40.2	37.2	47.4	65.1	71.9
Rubber and plastic products	62.2	63.3	65.1	63.3	67.0	72.5	78.9
Basic metal products and foundry and metal fabrication	79.6	77.7	91.2	99.8	83.7	80.2	85.7
Other transport equipment	36.9	37.8	42.9	42.3	41.9	29.6	30.6
Other manufactured products	140.9	147.3	170.3	172.2	181.6	187.9	194.5
Electricity and Gas	77.0	114.6	148.4	183.2	160.4	188.6	211.1
Water, Sanitation and Waste Treatment	94.3	100.8	110.0	112.2	111.1	104.4	110.3
Construction	234.8	305.5	334.8	350.9	386.2	420.9	453.4
<b>Tertiary sector</b>	<b>4 873.4</b>	<b>5 279.4</b>	<b>5 724.8</b>	<b>5 988.7</b>	<b>6 235.8</b>	<b>6 278.3</b>	<b>6 541.2</b>
Trade	1 362.1	1 391.5	1 577.3	1 712.7	1 821.8	1 900.4	1 998.8

<sup>17</sup> Including oil and gas production.

Transportation	383.3	447.3	478.0	494.7	502.7	510.1	534.1
Accommodation and catering services	136.8	143.2	161.5	161.9	163.6	135.6	130.8
Information and Communication	521.5	537.0	573.6	533.9	534.4	539.2	552.0
Financial and insurance services	246.0	256.9	289.6	300.9	339.9	344.7	353.1
Real Estate Services	839.1	901.4	929.4	949.4	981.6	1 028.1	1 069.9
Specialized, scientific and technical services	351.1	480.4	552.7	586.6	579.2	587.0	600.8
Office Support Services	176.6	196.1	204.7	221.9	231.7	216.0	232.8
Teaching	494.4	529.5	537.6	575.6	617.5	579.4	606.6
Health and social activities	150.2	163.0	171.7	183.2	187.6	192.5	202.3
Activities of a collective or personal nature	36.2	44.3	50.1	55.2	54.5	23.4	26.2
Domestic Services	55.1	63.0	66.8	70.6	72.0	72.8	76.9
Other services	120.9	125.9	131.9	142.1	149.3	149.1	156.9
<b>Non-market production<sup>18</sup></b>	<b>531.9</b>	<b>584.4</b>	<b>635.8</b>	<b>710.3</b>	<b>757.1</b>	<b>806.2</b>	<b>847.7</b>
<b>Goods and services taxes</b>	<b>1 123.8</b>	<b>1 159.2</b>	<b>1 166.7</b>	<b>1 133.3</b>	<b>1 462.4</b>	<b>1 392.2</b>	<b>1 477.1</b>
<b>Gross Domestic Product</b>	<b>10 508.7</b>	<b>11 283.4</b>	<b>12 191.8</b>	<b>12 840.2</b>	<b>13 655.4</b>	<b>14 184.9</b>	<b>14 991.0</b>

Source: DPEE

## 2.2.2 GDP in composition

The primary sector contributed 14.3 percent of GDP in 2015, compared with 17.0 percent in 2020, and is expected to account for 16.90 percent in 2021. The secondary sector's weight fell slightly between 2015 and 2020, from 23.60 percent to 23.20 percent, with a peak of 24.0 percent in 2018. According to DPEE

forecasts, the sector is expected to contribute 23.90 percent in 2021. The tertiary sector has a significant contribution to GDP. Its contribution was 47.0% in 2017 compared to 46.4% in 2015. It has been declining since then, and stood at 44. 3% in 2020. Its contribution in 2021 is expected to decline to 43.6% in 2020.

**Table 13. Share of sectors and subsectors in GDP (%)**

	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Prev.
<b>Primary sector</b>	<b>14.3</b>	<b>14.4</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>17.0</b>	<b>16.9</b>
Agriculture and related activities	8.8	8.5	9.2	9.4	9.5	11.5	11.4
Livestock and hunting	3.8	4.0	3.8	3.6	3.6	3.5	3.5
Forestry, logging	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Fishing and fish farming	1.2	1.4	1.5	1.6	1.5	1.6	1.7
<b>Secondary sector</b>	<b>23.6</b>	<b>23.3</b>	<b>23.3</b>	<b>24.0</b>	<b>23.1</b>	<b>23.2</b>	<b>23.9</b>
Extractive activities	2.7	2.3	2.6	3.5	3.5	4.2	4.8
Slaughtering, processing and conservation of meat	0.9	0.9	0.9	1.0	1.0	0.9	0.9
Processing and conservation of fish, shellfish and mollusks	1.3	1.0	1.0	0.9	0.8	0.6	0.6
Manufacture of food fats	0.8	0.7	0.6	0.6	0.5	0.3	0.3
Husked rice and flours	0.8	1.1	1.1	1.1	1.2	1.2	1.2
Animal feed manufacturing	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Bread and pastry making	0.7	0.8	0.7	0.7	0.7	0.7	0.8
Manufacture of cereal-based food products n.e.c.	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Canned fruits and vegetables	0.4	0.4	0.3	0.3	0.4	0.4	0.4
Manufacture of dairy products and ice cream	0.7	0.5	0.5	0.5	0.4	0.4	0.4
Manufacture of sugar, chocolate and confectionery	0.5	0.6	0.5	0.5	0.5	0.5	0.5
Manufacture of other food products	0.7	0.7	0.6	0.7	0.6	0.6	0.6

<sup>18</sup> These are the public administration services

Manufacture of beverages	0.8	0.8	0.8	0.7	0.6	0.6	0.6
Tobacco products	0.2	0.2	0.2	0.1	0.2	0.2	0.1
Oil refining, coking,	0.8	0.6	0.5	0.3	0.3	0.2	0.1
Chemical manufacturing	0.6	0.4	0.2	0.5	0.5	0.4	0.4
Building materials	0.8	0.8	0.7	0.7	0.6	0.7	0.6
Cotton ginning and textile manufacturing	2.2	2.1	2.1	2.1	2.0	2.1	2.1
Leather work; manufacture of travel goods; foot-wear	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Sawing and planing of wood	0.5	0.5	0.5	0.5	0.4	0.3	0.3
Paper, cardboard and articles of paper or cardboard	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Pharmaceutical products	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Soaps, perfumes and cleaning products	0.3	0.3	0.3	0.3	0.3	0.5	0.5
Rubber and plastic products	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Basic metal products and foundry and metal fabrication	0.8	0.7	0.7	0.8	0.6	0.6	0.6
Other transport equipment	0.4	0.3	0.4	0.3	0.3	0.2	0.2
Other manufactured products	1.3	1.3	1.4	1.3	1.3	1.3	1.3
Electricity and Gas	0.7	1.0	1.2	1.4	1.2	1.3	1.4
Water, Sanitation and Waste Treatment	0.9	0.9	0.9	0.9	0.8	0.7	0.7
Construction	2.2	2.7	2.7	2.7	2.8	3.0	3.0
<b>Tertiary sector</b>	<b>46.4</b>	<b>46.8</b>	<b>47.0</b>	<b>46.6</b>	<b>45.7</b>	<b>44.3</b>	<b>43.6</b>
Trade	13.0	12.3	12.9	13.3	13.3	13.4	13.3
Transportation	3.6	4.0	3.9	3.9	3.7	3.6	3.6
Accommodation and catering services	1.3	1.3	1.3	1.3	1.2	1.0	0.9
Information and Communication	5.0	4.8	4.7	4.2	3.9	3.8	3.7
Financial and insurance services	2.3	2.3	2.4	2.3	2.5	2.4	2.4
Real Estate Services	8.0	8.0	7.6	7.4	7.2	7.2	7.1
Specialized, scientific and technical services	3.3	4.3	4.5	4.6	4.2	4.1	4.0
Office Support Services	1.7	1.7	1.7	1.7	1.7	1.5	1.6
Teaching	4.7	4.7	4.4	4.5	4.5	4.1	4.0
Health and social activities	1.4	1.4	1.4	1.4	1.4	1.4	1.3
Activities of a collective or personal nature	0.3	0.4	0.4	0.4	0.4	0.2	0.2
Domestic Services	0.5	0.6	0.5	0.6	0.5	0.5	0.5
Other services	1.2	1.1	1.1	1.1	1.1	1.1	1.0
<b>Non-market production<sup>19</sup></b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.5</b>	<b>5.5</b>	<b>5.7</b>	<b>5.7</b>
<b>Goods and services taxes</b>	<b>10.7</b>	<b>10.3</b>	<b>9.6</b>	<b>8.8</b>	<b>10.7</b>	<b>9.8</b>	<b>9.9</b>
<b>Gross Domestic Product</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: DPEE

### 2.2.3 GDP by component

Domestic demand has grown significantly over the years, from CFAF 11,553.2 billion to CFAF 15,884.9 billion between 2015 and 2020, an average increase of 6.6 percent per year. Total consumption follows the same trend with an average annual growth rate of 5.6%. Private consumption is more important and

is growing faster than public consumption. The value of total investment has also increased: it was CFAF 2,418.8 billion in 2015 and is estimated to reach CFAF 3,914.9 billion in 2020. For the year 2021, DPEE projections indicate total investments of CFAF 4,227.4 billion. Private investment is more significant than public investment.

External demand reflects a structural deficit in the trade balance. This deficit has deteriorated over time. It has risen from CFAF 1,340.5 billion in 2015 to CFAF 2,112.6 billion in 2020 despite the compression of

<sup>19</sup> Those are the public administration services

imports linked to the current context of the Covid-19. The trade deficit is projected to reach nearly CFAF 2,383.9 billion in 2021.

**Table 14. GDP expenditure approach**

In billions of CFAF	2015	2016	2017	2018	2019 Forecast	2020 Estimate	2021 Forecast
<b>Internal demand</b>	<b>11 553.2</b>	<b>12 361.3</b>	<b>13 393.3</b>	<b>14 325.1</b>	<b>15 186.7</b>	<b>15 884.9</b>	<b>17 114.1</b>
<b>Final consumption</b>	<b>9 134.4</b>	<b>9 661.4</b>	<b>10 244.7</b>	<b>10 688.6</b>	<b>11 235.2</b>	<b>11 969.9</b>	<b>12 836.7</b>
public	1 502.7	1 583.2	1 662.2	1 770.0	1 879.5	2 160.4	2 337.3
private	7 631.7	8 078.2	8 582.5	8 918.6	9 355.6	9 809.6	10 499.4
<b>Total investments</b>	<b>2 418.8</b>	<b>2 699.9</b>	<b>3 148.6</b>	<b>3 636.5</b>	<b>3 951.5</b>	<b>3 914.9</b>	<b>4 277.4</b>
public	656.9	786.4	829.9	807.4	858.0	915.3	1 039.1
private	1 761.9	1 913.5	2 318.7	2 829.2	3 093.5	2 999.6	3 238.3
<b>Net external demand</b>	<b>- 1 340.5</b>	<b>- 1 239.6</b>	<b>- 1 688.0</b>	<b>- 2 040.5</b>	<b>- 1 940.5</b>	<b>- 2 112.6</b>	<b>- 2 383.9</b>
<b>Change in inventories</b>	<b>274.4</b>	<b>139.5</b>	<b>462.2</b>	<b>530.3</b>	<b>382.7</b>	<b>385.4</b>	<b>231.8</b>
<b>Acquisition of valuable objects</b>	<b>21.5</b>	<b>22.2</b>	<b>24.2</b>	<b>25.3</b>	<b>26.5</b>	<b>27.2</b>	<b>29.0</b>
<b>Gross Domestic Product</b>	<b>10 508.7</b>	<b>11 283.4</b>	<b>12 191.8</b>	<b>12 840.2</b>	<b>13 655.4</b>	<b>14 184.9</b>	<b>14 991.0</b>

Source: DPEE



### 3.1 Recent Achievements and Completions

#### 3.1.1 Presentation of the national development plan

In 2014, Senegal adopted a new reference framework for its development policy, the Plan for Emerging Senegal (PES). The PES is a ten-year strategy for the period 2014-2023, backed by a vision of an emerging Senegal by 2035. The PES is operationalized by investments over 10 years, divided into two five-year phases, 2014-2018 and 2019-2023. The objective is to set the economy on a strong, inclusive, sustainable and job-creating growth path while preserving the environment and natural resources.

In order to achieve the above-mentioned development vision, the proposed strategy is based on three main strategic axes:

Axis 1: Structural transformation of the economy and growth;

Axis 2: Human capital, social protection and sustainable development;

Axis 3: Governance, institutions, peace and security.

The axes and objectives of the PES are backed by the foundations of emergence, through the strengthening of energy supply, the establishment of structural infrastructure to support production, the improvement of the business environment, a strong impetus from the State and assertive leadership.

The PES is supported by a Priority Action Plan (PAP), itself divided into two phases. The first phase of the PES (PAP I), covering the period 2014-2018, achieved satisfactory results in all sectors and the second phase of the PES (PAP II), covering the period 2019-2023, is a continuation of the first phase but with greater involvement of the private sector.

Plan for an Emerging Senegal: Phase 1 (PAP I)

The first phase of PES implementation is the first Priority Action Plan (PAP I), a five-year investment plan (2014-2018) aimed at aligning the economic and social aspirations of the PES with the development programs and projects budgeted by the Senegalese government over this period. PAP I includes 27 major investment projects and 17 reforms over the 2014-2018 period. This priority action plan is worth CFAF 9,686 billion over the 2014-2018 period.

**Table 15: Breakdown of PAP I costs by strategic areas**

Strategic areas	Amount (Total in billions of CFA francs)	Percentage
Structural transformation of the economy and growth	6 439	66
Human Capital, Social Protection and Sustainable Development	2 521	26
Governance, Peace and Security	726	8
<b>Grand total</b>	<b>9 686</b>	<b>100</b>

Source: Ministry of Economy, Finance and Planning (MEFP), 2013

The optimistic scenario of the PES projected an average growth rate of 7.1 percent for PAP I (2014-2018), rising from 4.9 percent in 2014 to 8.3 percent in 2018.

**Table 16: PES Baseline Scenario, Phase I (2014-2018)**

Years	Economic growth (%)	Budget deficit (in billions of CFAF)	Current expenditures (in CFAF billion)	Capital expenditures (in CFAF billion)	Total expenditures (in billions of CFAF)
2014	4.9	-5.2	1 297	987	2 284
2015	6.7	-5.1	1 352	1 208	2 560
2016	7.6	-4.9	1 400	1 420	2 819
2017	8.0	-4.5	1 450	1 630	3 080
2018	8.3	-3.9	1 502	1 847	3 349

<sup>20</sup> See WAMU Briefing Notes for Senegal, 2020 Edition

Average	7.1	-4.7			
Total			7 001	7 091	14 092

Source: MEFP (2013)

After five (5) years of implementation, the evaluation<sup>21</sup> of this first phase has identified a number of achievements, including the overall attainment of the set<sup>22</sup> objectives. On the macroeconomic level, Senegal is among the fastest growing countries in sub-Saharan Africa (annual average of 6.6% over the 2014-2018 period) with low inflation (less than 3%) and a deficit reduced from 5.4% of GDP in 2011 to 3% in 2018.

In terms of social indicators, Senegal has seen an improvement in the human development index (from 0.49 in 2014 to 0.52 in 2018), increased access to basic education even if the results are weak in terms of efficiency, efforts in the area of health with a drop in the maternal mortality rate and a 38% decrease in poverty. In terms of governance, considerable efforts have been made to strengthen economic, political and judicial governance (particularly in the fight against corruption, budget transparency, creation of commercial courts and the strengthening of territorial governance).

## Plan for an Emerging Senegal: Phase 2 (PAP II)

To consolidate the performance recorded in the first phase, the Senegalese government put in place the 2019-2023 Priority Action Plan (PAP II) for a total amount of 14,098 billion CFA francs. The PAP II operationalizes the second phase of the PES by aligning the strategic axes and objectives, expected effects and identified actions with the reforms, projects and development programs to be carried out within a sound budgetary framework over the period 2019-2023. It is structured around seven (7) priority sectors and areas set out in the Priority Action Plan (PAP 2019-2023). These include agriculture (horticulture and agribusiness), infrastructure (public works and construction) energy (oil, gas and mining), industries, digital economy, tourism and finance. The year 2019 was marked by the beginning of the implementation of phase II of the Priority Action Plan of the PSE (PAP II).

**Table 17: Breakdown of PAP II costs by strategic axis**

Strategic areas	Amount (Total in billions of CFA francs)	Percentage
Structural transformation of the economy and growth	8 352.1	59.2
Human Capital. Social Protection and Sustainable Development	4 089.6	29.0
Governance. Peace and Security	1 656.2	11.7
<b>Grand total</b>	<b>14 097.9</b>	<b>100.0</b>

Source: EPPB (2018)

## Plan for an Emerging Senegal: Revised Phase 2 (PAP2A)

The consolidation of the above-mentioned achievements was strongly disrupted by the occurrence of the Covid-19 health pandemic, which had direct and indirect negative economic and social impacts. This new context led the Senegalese authorities to take economic and health measures through the Economic and Social Resilience Program (ESRP) and to revise the PAP II in order to mitigate the negative effects of the crisis. The measures included in the ESRP coupled with the Adjusted and Accelerated Priority Action Plan (PAP2A) should lay the foundation for a rapid and consolidated recovery of the na-

tional economy and put the country on the path to emergence.

The main objectives of the PAP2A for the period 2021-2023 are to stimulate private investment, diversify growth drivers and strengthen economic resilience in order to achieve an average growth rate of 8.7 percent over the period 2021-2023<sup>23</sup>. In the scenario adopted, the implementation of the PAP2A will allow for GDP growth of around 5.2 percent in 2021, 7.2 percent in 2022 and 13.7 percent in 2023, which is Senegal's first double-digit growth rate, with the exploitation of oil and gas resources.

<sup>21</sup> In 2015, the Government instituted a harmonized framework for monitoring and evaluating public policies (CASE) by Decree No. 2015-679, with a view to rationalizing and harmonizing public policy monitoring mechanisms in order to facilitate the evaluation of the PES' performance. Through the application of this framework, sectoral and regional reviews are better supervised and organized.

<sup>22</sup> Bureau Opérationnel du Suivi (BOS) du Plan Sénégal Emergent (2018), "Report on the Implementation of the PES Flagship Projects and Reforms, 2014-2018." <sup>23</sup> In the scenario adopted, the implementation of the PAP2A will allow for a GDP growth of about 5.2% in 2021, 7.2% in 2022 and 13.7% in 2023, which is the first double-digit growth rate in Senegal, with the exploitation of oil and gas resources.

**Table 18: PES Baseline Scenario, Phase II (2019-2023)**

Years	Economic growth (%)	Budget deficit (in billions of CFAF)	Current expenditures (in CFAF billion)	Capital expenditures (in CFAF billion)	Total expenditures (in billions of CFAF)
2019	5.3	-3.9	2 166	1 160	3 326
2020	-0.7	-6.1	2 397	1 428	3 825
2021	5.2	-5.0	2 239	1 595	3 834
2022	6.9	-4.0	2 401	1 809	4 210
2023	13.7	-3.0	2 638	2 217	4 855
<b>Average</b>	<b>6.9</b>	<b>-4.4</b>			
<b>Total</b>			<b>11 841</b>	<b>8 209</b>	<b>20 050</b>

Source: MEPC, 2020

### ACAP2A cost

The overall cost of PAP2A is estimated for the period 2019-2023 at 14,714 billion CFA FRANCS. It has seen an increase of CFAF 616 billion, i.e. an increase

of 4.4% compared to PAP II. This figure takes into account the two (2) years of implementation, namely 2019 and 2020. Thus, the estimated cost for the period 2021-2023 is 12,125 billion CFA FRANCS.

**Table 19: Breakdown of PAP II costs by strategic areas, 2021-2023**

Strategic areas	Total cost (In billions of CFA francs)	Share (In %)
Structural transformation of the economy and growth	7 129	59
Human Capital, Social Protection and Sustainable Development	3 625	30
Governance, Peace and Security	1 371	11
<b>Grand total</b>	<b>12 125</b>	<b>100</b>

Source: MEPC, 2020

As for the sectoral distribution of the PAP2A strategy cost over the period 2021-2023, it reveals the dominance of the priority and sovereignty sectors.

**Table 20: Sectoral Breakdown of the PAP2A, 2021-2023**

Sectors	Cost (In billions of CFAF)	Shares (In %)
Public Administration	839	6.9
Agriculture	1 018	8.4
Handicraft	2	0.0
Trade	70	0.6
Culture, Youth and Sport	176	1.5
Community development, social and territorial equity	569	4.7
Education and Training	475	3.9
Livestock	64	0.5
Environment and sustainable development	82	0.7
Rural and agricultural hydraulics	33	0.3
Urban water and sanitation	651	5.4
Industry	1 067	8.8
Air transport infrastructure and services	117	1.0
Rail infrastructure and services	256	2.1
Marine transportation infrastructure and services	783	6.5

Road transport infrastructure and services	1 069	8.8
Energy transportation infrastructure and services	1 699	14.0
Justice	29	0.2
Mines	5	0.0
Fishing	113	0.9
Post and Telecommunications (Digital economy)	146	1.2
Health and Nutrition	1 024	8.4
Security and sovereignty	550	4.5
Tourism	353	2.9
Urban Planning and Housing	935	7.7
<b>Grand total</b>	<b>12 125</b>	<b>100</b>

Source: MEPC, 2020

### Expected impacts of the AHS2A

The implementation of the PAP2A should make it possible to improve certain indicators in 2023. A rapid recovery of the economy starting in 2021, accompanied by reforms and investments in the social sectors, agriculture, fisheries, livestock, housing, digital technology and industry, would make it possible to achieve an average growth rate of 6.1 percent between 2019 and 2023. In terms of human deve-

lopment, performance would be expected in 2023 with an HDI of 0.54 in the adjustment scenario, in health, a reduction in infant mortality (27%o in 2023), a rural electrification rate of 79.2% in 2023 or the creation of at least 200,000 jobs per year associated with the improvement of worker productivity in order to strengthen the inclusive nature of the growth<sup>24</sup> dynamic.

**Table 21: Impact Indicators**

	Initial situation		Targets 2023	
	Year	Value	PSE Phase II	PSE Phase PAP2A
Real GDP per capita (in CFAF)	2018	819 068	1 110 222	971 711
HDI	2018	0.51	0.50	0.54
Average length of schooling (years)	2015	2.81	3.0	3.1
Gini coefficient	2011	40.2	35.8	35.7
National poverty rate (%)	2018	37.8	33.0	36.4
Access to electricity (%)	2018	69.3	85.9	85.0
Access to electricity in rural areas (%)	2019	53.9	81.6	79.1
Renewable energy in the mix (%)	2018	19.6	29.2	29.2
Annual job creation	2019	150 020	228 317	214 553
Weight of industry in GDP (%)	2017	20.6	25.0	25.9
Exports per capita (CFAF)	2019	122 468	220 109	246 799

Source: MEPC, 2020

### Articulation of the PES with Agendas 2030 and 2063

Senegal is committed, like the international community, to implementing the 2030 Agenda for Sustainable Development and the 2063 Agenda for African Development. In this perspective, the PES integrates the ambitions and targets defined at the continental and global levels through these two agendas. This will facilitate monitoring and evaluation at all levels

of projects, programs and reforms, but will also help optimize the resources made available under the PES, Agenda 2030 and Agenda 2063. These strategic frameworks place the citizen and the community at the heart of the development process with, among other things, the qualification and sustainable empowerment of youth and women, factors of inclusion, wealth creation and employment.

<sup>24</sup> Ministry of Economy, Planning and Cooperation (2020), "Plan Sénégal Emergent : Plan d'Actions Prioritaires 2 Ajusté et Accélééré -PAP 2A," December 2020.

### 3.1.2 Recent structural reforms related to the development plan

The success of the PES, particularly in its first phase (2014-2018), has been possible thanks to structuring reforms and projects. This section presents some recent achievements and completions as well as their socio-economic<sup>25</sup> impacts.

#### Development of three grain corridor project

The ambition of the flagship project "Development of 03 cereal corridors" is to reduce by half the trade deficit in the main cereal crops (rice, millet and corn) with a view to achieving long-term food self-sufficiency. The specific objectives were to achieve self-sufficiency in rice by 2017 with a production of 1,600,000 tons of paddy rice, and to substitute local cereals for 30 to 50% of wheat flour imports.

With the effective implementation of the agricultural component of the PES, the Program for the Recovery and Acceleration of Senegalese Agriculture (PRACAS I) over the 2014-2017 period, paddy rice production recorded record growth, rising from 559,021 tons in 2014 to 1,132,795 tons in 2018, an increase of 103%, even though the target of rice self-sufficiency set at 1,600,000 tons in 2017 has not yet been reached. Millet production, for its part, increased from 408,993 tons to 827,601 tons, an increase of 102% while corn production increased from 178,732 tons to 476,621 tons, an increase of 166%. With this performance, there is hope and optimism that food self-sufficiency will be achieved if the trend continues.

#### Integrated Industrial Platforms project

The contribution of industrial activity to GDP has stagnated at around 22-23% for more than 10 years, with a low rate of natural resource development. To reverse this trend, the PES has focused on the accelerated development of integrated industrial platforms designed to accommodate international industries seeking to relocate to Africa, enabling Senegal to make a quantum leap in industrialization. Specifically, this project aims to accelerate the industrial development of Senegal through the establishment of three integrated industrial platforms before 2020.

The first industrial achievement, is the construction and commissioning, February 06, 2018, of the In-

ternational Industrial Park in Diamniadio (PIID) on a total land base of 53 hectares for a total cost of 80 billion CFA francs fully funded by the State of Senegal. The Industrial Park groups together 7 industries and 5 service companies which, in total, employ just over 1,000 people. The investments made within the PIID by these 12 private companies are estimated at 14 billion CFA FRANCS. The Sandiara industrial zone, covering 100 ha, is the second industrial zone launched under the PES. It currently has 5 companies employing just over 1,000 people.

#### Integrated Electricity Recovery Plan Project

The energy sub-sector is at the heart of emergence and access to it is a key issue in wealth creation and the fight against poverty. The PSE's ambition is to achieve a recovery of the sector and to provide sufficient, reliable and low-cost electricity. Thus, during the implementation of the Priority Action Plan (PAP I), several power plants have been installed, rehabilitated and commissioned to strengthen the energy mix and to instill a productive dynamic in the territories.

The years 2016 and 2017 saw the commissioning of 270 MW and 205 MW respectively, with the completion of the Mékhé (30 MW), Merina Dakhar (30 MW), Kahone (20 MW), Bokhol (20 MW), Malicounda (20 MW) and Sendou (125 MW) solar power plants. The commissioning of these new capacities has brought SENELEC's installed capacity to more than 1,100 MW<sup>26</sup> for a demand of around 610 MW.

This increase in installed capacity was accompanied by a decrease in the cost of producing electricity, which fell by 42.5%, reaching 54.9 CFAF/kWh in 2017 compared to 95.5 CFAF/kWh in 2013, despite the rising cost of petroleum products. In January 2017, the government lowered electricity tariffs by an average of 10%, with a focus on the social bracket. The supply of electricity to households and businesses has improved with the number of hours of outages falling from 911 hours in 2011 to less than 60 hours in 2017.

Several other reforms such as the "Accelerated Land Availability" and the "Adjustment of Attractiveness Rankings" have been initiated and have contributed to the very appreciable economic performance even if significant challenges remain.

### 3.2 Future Achievements

The initiatives adopted since 2014 will continue and be strengthened with a view to generating quality private investments with a high economic and social

impact. In this regard, this section presents some upcoming achievements under PAP 2A (2019-2023).

<sup>25</sup> Sources: Ministry of Economy, Finance and Planning (MEFP), "Plan Sénégal Emergent: Plan d'Actions Prioritaires 2019-2023," December 2018; BOS (3018) , "Rapport sur la mise en œuvre des projets et réformes phares du Plan Sénégal Emergent - 2014 - 2018," December 2018. <sup>26</sup>With 19% of renewable energy.



### 3.2.1 The reform of the Investment Code

The Senegalese authorities have launched the reform of the Investment<sup>27</sup> Code which has been in force for nearly twenty (20) years. This reform is part of the flagship actions of the Adjusted and Accelerated Priority Action Plan (PAP2A) which is the program to revive the Senegalese economy to achieve the objectives of the Emerging Senegal Plan by 2023. This adjusted plan includes 16 reform projects to clean up the business environment and boost private investment in order to quickly achieve food and health sovereignty. The reform of the investment code is one of these reform projects to be finalized during the period 2021-2022. The objective is to provide Senegal with a new investment code with simplified formalities for the benefit of investors in order to increase the level and impact of private investments. One of the concrete actions to be implemented as part of this reform will be to support investors by simplifying the administrative formalities of tax and customs exemptions through the project of digital maturation of administrations provided in the medium-term strategic document of Revenue (SRMT).

### 3.2.2 The structural transformation of the economy

In the implementation of the PES, industry occupies a central place. Indeed, the establishment of industrial clusters and special economic zones remains one of the major objectives to revive and develop industrial activity. Thus, the current situation of the integrated industrial platform of Diamniadio (P2ID) has, to date, eighteen (18) companies installed of which seven (07) industrial companies and eleven (11) service companies which total 791 direct jobs created and 15 857 005 980 CFA francs of investment.

For the development of manufacturing activities, particularly in secondary cities, the timetable for the implementation of the Diamniadio Industrial Park and the Diass Integrated Special Economic Zone must be continued. These two major projects will support the development and urbanization process of the Dakar-Thiès-Mbour Triangle and the ramping up of the Blaise Diagne International Airport.

The entry into service of the Regional Express Train, on the one hand, and the Ila Toubia Highway, on the other hand, will open the way to new business opportunities and public-private partnerships, including in the country's other economic hubs.

Finally, the discovery of offshore gas and oil off the coast of Senegal is an opportunity to accelerate the country's economic performance. The gas reserves

of Grand Tortue (Saint Louis) and the oil reserves of SNE-1 (Sangomar) are estimated at 560 billion m<sup>3</sup> and 530 million barrels of oil respectively. They should contribute, in the medium and long term, to a structural transformation of the economy and an improvement in the living conditions of the population. This discovery would make it possible, among other things, to increase energy production, reduce the cost of electricity, develop oil-related jobs, increase government revenues through royalties and taxes, and reduce energy dependence. In addition, it is necessary to take into account the management of environmental problems as well as the implementation of policies likely to develop a local content of quality.

### 3.2.3 Access to economic infrastructure in value chains

To win the development challenge, Senegal must rely on the latest generation of infrastructure in the areas of transport, collection, storage, conservation and processing of local products. In addition, in order to take advantage of opportunities in the sub-region, the strengthening of this infrastructure must include a component relating to the consolidation of regional integration. The objective is therefore to increase the number of paved and upgraded roads from 398.5 km in 2017 to 508 km in 2023. In addition, the logistics performance index should reach 2.60 in 2023, compared with 2.32 in 2016. This effect will be achieved through, among other things: (i) the densification of production support infrastructure; (ii) the improvement of connectivity to the corridors (logistics hub); (iii) the establishment of a structured exchange network for a more balanced development of the territory in order to promote the emergence of agropastoral, mining, tourism and fisheries economic activity poles; (iv) opening up production areas through a network of roads and rural tracks; (v) developing an integrated multimodal transport network (road, air, rail, sea and river); and (vi) strengthening infrastructure for integration into the sub-regional market (in particular the Dakar-Bamako railroad) and the international market in order to boost trade with its main partners.

### 3.2.4 Universal access to electricity

The Plan for an Emerging Senegal (PES) has made universal access to energy a priority in order to reduce inequalities between rural and urban areas. The electricity sector is a key factor in economic activity and must become more competitive by reducing costs and increasing access, particularly in rural areas. To this end, the Energy Compact, identified in partnership with the Millennium Challenge Corporation (MCC), will develop production and supply ca-

<sup>27</sup> As a reminder, the current Investment Code dates back to 2004, even though changes have been made through various amendments to the general tax code and the adoption of specific measures.

capacities for quality electricity. It also includes reform projects to improve the legal framework and build the capacity of the sector's players, reduce the cost per kWh and finalize the oil code.

In terms of expected results, the proportion of the population with access to electricity is expected to rise from 61.7% in 2017 to 85.9% in 2023. In terms of the energy mix, renewable energy, which was 17.23% in 2017, is expected to rise to 29.2% in 2023.

### **3.2.5 Access to secure and developed land**

The development and securing of dedicated multifunctional sites are levers for attracting foreign direct investment. With a view to strengthening land accessibility and security, the State is committed to increasing the land access and security index to 0.69 in 2023 from 0.68 in 2018 through the development of parks, estates, SEZs and agropoles.

To achieve these results, a set of actions are identified. These are:

- The gradual transformation of the current occupancy rights of rural people into real rights, which will allow a certain level of controlled transferability of land, taking into account the need to protect pastoral, fishing and forestry areas;
- Investment in land management instruments by the State services,
- The search for the right balance between the management of local authorities and the supervision of land transactions by the central State;
- Further streamlining of urban land registry registration

### **3.2.6 Transparency in the management of public resources is strengthened**

Transparency in the management of public resources is an important anchor of a comprehensive approach to good governance, especially in the context of oil and gas development to avoid the curse of natural resources. Thus, the right of access to public information, an essential pillar of open government, helps

to strengthen citizens' confidence in the action of the State and thus promote the social contract.

This will be achieved by promoting accountability, institutionalizing a culture of evaluation, developing an information system within the administration that is accessible to citizens, involving local authorities in the management of natural resources, and gender-sensitive planning and budgeting. These actions will allow the score of the "Transparency, Accountability and Corruption in the Public Sector" indicator (CPIA) to rise from 3.5 in 2017 to 3.9 in 2023. Thus, the Open Budget Index (IBI) will increase from 51% in 2017 to 54.2% in 2023.

### **3.2.7 Public administration is more efficient**

A modern, effective and efficient administration remains a fundamental variable for the success of the PES. Thus, in the second phase of the PES, the efforts already made in terms of administrative reforms will have to be continued and consolidated through the adoption and implementation of the Public Administration Modernization Master Plan (SDMAP) through its three (3) strategic axes, which are (i) improving the quality of services rendered to the population; (ii) renovating the administrative organization; and (iii) improving the quality of public management. To support the reforms already underway and optimize their effects, the emphasis will be placed on the territorialization of public policies, budgetary and financial reforms, the modernization of human resource management and the simplification of procedures and administrative formalities. This will allow the "quality of administration" index (CPIA) to rise from 3.5 in 2017 to 3.7 in 2023 and the "government effectiveness" index (WGI) from -0.47 in 2016 to 0.098 in 2023. In this sense, it is essential to continue efforts to dematerialize and simplify administrative procedures, to promote Shared Services Centers, to strengthen the performance culture, to optimize administrative structures, to establish a more equitable remuneration system, based on merit and competence, and to continue professionalizing the management of the State's human resources.

## 4.1. Structural elements

### 4.1.1. Description of the Franc zone

The Franc zone is characterized by four (4) founding principles. These principles were set out in the November 23, 1972 monetary cooperation agreement between member States of the issuing zone of the Bank of Central African States and France, as well as in the December 4, 1973 cooperation agreement between member States of the West African Monetary Union and France.

The 4 main principles of the Franc zone are:

- A guarantee from the French Treasury for unlimited convertibility of the Central Bank currency: currencies issued by the issuing institutions of the franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-zones, an operating account is opened with the French Treasury by each Central Bank of the zone, and on which the Central Banks have an unlimited right to draw in the event of exhaustion of their foreign exchange reserves;
- A fixed parity with the euro of 1 euro for 655.957 CFA francs: the parity of the zone's currency with the euro is fixed and defined for each subzone. The currencies of the zone are convertible among themselves, at fixed parities, without limitation of amounts. The switch to euro resulted in a simple substitution of the peg to the French franc by the peg to the euro, at equivalent parity, i.e.,  $\text{CFAF } 655.957 = 1 \text{ euro}$  (the parity being identical for the West and Central Africa sub-zones).
- Free and unlimited transfer of reserves: Transfers are, in principle, free within the Zone.
- Centralization of reserves: governments centralize their foreign exchange reserves in their central banks, while in return for the unlimited convertibility guaranteed by France, the central banks of the franc zone are required to deposit a portion of their net external assets (foreign exchange reserves) with the French Treasury in an operating account opened in the name of each of them. Since the September 2005 reform, BCEAO has had to deposit 50% of its external assets in its operating account.

A new monetary agreement was signed in December 2019 by WAEMU member States and France to re-

form the West African CFA franc (XOF). It lays the groundwork for member countries to join ECO, ECOWAS' single currency project. In order to enable WAEMU economies to prepare for ECO, the monetary cooperation agreements linking the member States of the zone to France were thoroughly revised. Three decisions were taken:

- Name change of the currency from CFA Franc to ECO, when WAEMU countries will integrate the new ECO zone of ECOWAS;
- End the centralization of foreign exchange reserves at the French Treasury, closing the operations account and transferring available resources into BCEAO's account;
- Withdrawal of all French representatives from the decision-making and management bodies of WAMU (BCEAO Board of Directors, Banking Commission and Monetary Policy Committee).
- Two key pillars of monetary stability have been retained:
- Maintaining the fixed exchange rate against the euro (which ensures the current parity) ;
- The guarantee of unlimited convertibility of the currency by France.

In May 2020, the bill ratifying the end of the CFA franc was adopted by the French Council of Ministers. It validates the transformation of the CFA franc, which will become the ECO, by maintaining a fixed parity with the euro as well as the end of the centralization of foreign exchange reserves of West African States at the French Treasury.

### 4.1.2 Description of BCEAO

Article 41 of the WAEMU Treaty designates the Central Bank of West African States (BCEAO) as an autonomous specialized institution of the Union. In complete independence, the BCEAO contributes to the achievement of the Treaty's objectives.

#### Members

The eight (8) member States of WAEMU are members of BCEAO. They are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.



## Organs

The organs of the Central Bank are: the Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, and the National Credit Councils, one in each WAMU member State.

## Operation

The Central Bank, its organs, any member of its organs or staff may not seek or receive orders or instructions from community institutions or organs, from any government of WAEMU Member States, from any other organization or from any other person. Community institutions and bodies and the governments of WAEMU member States undertake to respect this principle.

The primary objective of the Central Bank's monetary policy is to ensure price stability. Without prejudice to this objective, the Central Bank supports the economic policies of the West African Economic and Monetary Union (WAEMU), with a view to achieving sound and sustainable growth.

## Roles

The Central Bank has the following fundamental missions:

- ✓ Define and implement monetary policy within WAEMU;
- ✓ Ensure the stability of WAEMU banking and financial system;
- ✓ Promote proper functioning and ensure the supervision and security of payment systems in WAMU;
- ✓ Implement the WAEMU exchange rate policy under the conditions set by the Council of Ministers;
- ✓ Manage the official foreign exchange reserves of WAEMU member States.

The Central Bank may conduct, with due regard for monetary equilibrium, specific missions or projects that contribute to the improvement of the monetary policy environment, diversification and strengthening of the WAEMU financial system and technical and professional capacities in the banking and financial sector.

The main objective of the Central Bank's monetary policy is to ensure price stability. As such, it defines the monetary policy to keep the currency's external coverage rate at a satisfactory level, and to support

the economic activity of member countries without inflationary pressure<sup>28</sup>.

BCEAO oversees the monetary policy of each member country by setting money supply and credit targets on an annual basis. Statutory advances to member States' national treasuries were suspended in 2001 and abolished as of 2010.

To conduct its common monetary policy, the BCEAO relies on market mechanisms and indirect liquidity regulation instruments, in particular interest rate management and the reserve requirement system.

### 4.1.3 Monetary policy

BCEAO has the exclusive privilege of issuing money for all the member States of the West African Monetary Union. It issues monetary signs, banknotes and coins, which are legal tender with discharging effect in all the member States of the Union. The creation, issue and cancellation of monetary signs are decided by the Council of Ministers.

The Central Bank's management of member States monetary policy consists in adjusting the global liquidity of the economy according to economic trends, in order to ensure price stability, on the one hand, and to promote economic growth, on the other hand.

The current money and credit management system relies on market mechanisms and indirect liquidity regulation instruments, notably interest rates and the reserve requirement system.

The functioning of BCEAO is based on:

- Open market operations: seven-day and twenty-eight-day refinancing (weekly and monthly, respectively, for banks subject to reserve requirements) allotted at variable rates; the minimum bid rate considered by BCEAO as its key rate (currently<sup>29</sup> 2.0%). Planned auctions are generally calibrated according to BCEAO's forecast of liquidity needs over the maturity of operations;
- Standing loan windows: refinancing from 1 to 7 days or 90 to 360 days against government securities and credit requests with maturities ranging from 5 to 20 years, at the request of banks (marginal lending window). Rates at these windows are 200 basis points above the policy rate. As of June 2017, the use of the lending window was capped at two times the counterparty's equity.

The minimum bidding rate for open market operations (tenders) and the interest rate applicable to the marginal lending window (repo rate), whose levels are set by the Monetary Policy Committee, are 2%

<sup>28</sup> The BCEAO Monetary Policy Committee, at its first meeting held on September 14, 2010 in Dakar, defined the operational objective of price stability as an annual inflation rate in the Union within a margin of  $\pm$  one percentage point (1%) around 2%, over a twenty-four (24) month horizon. <sup>29</sup> BCEAO lowered its main policy rates by 50 basis points. Thus, the minimum bidding rate for liquidity injection tenders was reduced from 2.50% to 2.00% and the interest rate for the marginal lending window was reduced from 4.50% to 4.00%. This decision became effective on June 24, 2020.

and 4% respectively, and constitute BCEAO's two main key rates.

### Money supply in Senegal

Estimates for 2020 show a decline in foreign assets of around (-4.6%) due to an unfavorable trend in assets held by the Central Bank (-20.4%). Domestic assets, claims on governments and credits to the economy, increased during this period.

In 2019, foreign assets increased by +8% compared to 2018 to stand at CFAF 1,970.3 billion compared

to CFAF 1,823.8 billion a year earlier. This improvement is attributable to a +25.4% increase in the central bank's foreign assets. Broad money growth was held back by a smaller expansion in private sector credit (+7.5 percent). Domestic assets amounted to CFAF 5,153.6 billion at the end of 2019, up 8.7 percent from the previous year. This increase is linked to an increase in credit to the government, which rose from CFAF 467.8 billion in 2018 to CFAF 556.9 billion in 2019, an increase of 19.1%.

**Table 22. Composition of Senegal's Money Supply**

Indicators	2015	2016	2017	2018	2019	2020	2021(*)
Foreign assets	1 120.8	1 171.1	1 296.6	1 823.8	1 970.3	1 880.3	1 950.8
Central Bank	948.8	738.0	789.0	1 171.1	1 468.8	1 169.4	1 239.9
Credit institutions	172.0	433.0	507.6	652.7	501.5	710.9	710.9
Domestic assets	3 535.4	4 096.1	4 608.1	4 742.8	5 153.6	6 099.5	6 643.5
To the credit of the State	199.9	430.1	399.1	467.8	556.9	1 432.0	1 716.5
Central Bank	43.9	24.0	-8.7	-176.6	-194.0	71.2	71.2
Credit institutions	156.0	406.1	407.7	644.3	750.9	1 360.8	1 645.3
To the credit of the economy	3 335.5	3 666.0	4 209.1	4 275.0	4 596.7	4 667.6	4 927.0
Other	947.7	1 049.7	1 297.0	1 306.9	1 431.9	1 585.6	1 585.6
Money supply (M2)	3 708.5	4 217.4	4 607.7	5 259.7	5 692.0	6 394.3	7 008.8
Currency in circulation	2 018.0	2 219.4	2 508.3	2 834.1	1 299.3	1 526.4	1 656.8
Total Deposits	1 690.5	1 998.1	2 099.4	2 425.6	4 392.7	4 867.9	5 352.0
(percentage change in the monetary base at the beginning of the period)							
Net foreign assets	-	4.5	10.7	40.7	8.0	-4.6	3.7
Net domestic assets	-	15.9	12.5	2.9	8.7	18.4	8.9
Credit to the State	-	115.2	-7.2	17.2	19.1	157.1	19.9
Credit to the economy	-	-45.3	-136.2	1 936.1	9.8	-136.7	0.0
Money supply (M2)	-	160.3	0.4	58.0	16.5	81.2	20.9

Source: BCEAO, DPEE (\*) Forecast

## 4.2 Banking system and financial markets

### 4.2.1 The banking environment

The Senegalese banking system had 30 credit institutions in 2020, including 26 banks and 4 financial institutions.

IMF staff strongly encourage the Senegalese authorities to monitor developments in the banking sector closely. In particular, they should ensure that banks fully report on customer support measures and their impact on their balance sheets. Once the crisis dissipates, a full diagnosis will be needed to clarify the

extent of losses incurred by the banks and to inform the authorities on the measures to be taken. The IMF report (2020) also States that the authorities should fulfill their commitment to inject funds (0.3 percent of GDP) into the State-owned bank that was weak before the COVID-19 crisis, until the crisis stabilizes and a better and transparent solution is found to the fundamental problems of the bank's business model.



The Government of Senegal is paying particular attention to appropriate risk transfer to the banking system. This 200 billion CFA FRANCS financing fac-

ility has been set up to support businesses affected by the COVID-19 pandemic with two windows for SMEs and large companies.

**Table 23 Aggregate balance sheet of commercial banks in Senegal.**

(in billions of CFAF)	2015	2016	2017	2018	2019
Treasury and interbank operations	907	969	809.4	937.6	938
Operations with customers	2 964.50	3 322.90	3980	4500	4 854
Securities and other transactions	1 195.20	1 586.90	1676.1	1650	1 766
Fixed assets	322.2	409	274.8	278.5	307
Shareholders or associates	5.5	0.9	0	0	0
<b>TOTAL ASSETS</b>	<b>5 394.50</b>	<b>6 288.70</b>	<b>6740.4</b>	<b>7367.6</b>	<b>7 865</b>
Treasury operations	942.7	1 329.70	1323.8	1387.7	1 212
Operations with customers	3 675.80	4 139.20	4463.1	4915.3	5 463
Securities and other transactions	194.4	199.9	304.9	332	404
Shareholders' equity and similar	581.6	620	648.5	732.5	785
<b>TOTAL LIABILITIES</b>	<b>5 394.50</b>	<b>6 288.70</b>	<b>6740.4</b>	<b>7367.6</b>	<b>7 865</b>

Source: BCEAO

**Table 24: Lending and deposit rates (short, medium and long term in %)**

Lending rate	2015	2016	2017	2018	2019	2020
less than or equal to 1 month	3.85	3.76	4.03	4.61	4.73	4.58
more than 1 month and less than or equal to 3 months	5.62	4.77	5.46	5.46	5.44	5.37
more than 3 months and less than or equal to 6 months	8.59	7.65	6.82	6.98	8.33	7.36
more than 6 months and less than or equal to 1 year	6.91	8.52	8.28	8.18	7.26	7.53
more than 1 year and less than or equal to 2 years	7.49	6.59	7.87	6.70	7.98	7.89
more than 2 years and less than or equal to 5 years	8.10	8.30	8.00	7.48	7.40	7.17
more than 5 years and less than or equal to 10 years	8.79	8.48	7.66	8.34	7.76	7.47
More than 10 years	4.66	4.76	5.76	5.24	4.43	5.85
<b>Total</b>	<b>5.89</b>	<b>5.67</b>	<b>5.98</b>	<b>5.89</b>	<b>5.81</b>	<b>5.84</b>
Lending rate						
less than or equal to 1 month	5.31	5.23	4.93	5.15	4.45	2.94
more than 1 month and less than or equal to 3 months	5.67	5.41	5.13	5.60	5.58	5.89
more than 3 months and less than or equal to 6 months	5.65	5.70	5.27	5.76	5.83	5.85
more than 6 months and less than or equal to 1 year	5.33	4.91	5.22	5.26	5.23	4.92
more than 1 year and less than or equal to 2 years	5.29	4.94	4.41	4.74	5.21	5.34
more than 2 years and less than or equal to 5 years	5.75	5.58	5.43	5.47	5.72	5.67
more than 5 years and less than or equal to 10 years	5.76	5.58	5.03	5.75	5.96	6.42
Not determined	4.98	5.86	4.03	5.75	5.22	5.99
<b>Total</b>	<b>5.58</b>	<b>5.38</b>	<b>5.13</b>	<b>5.46</b>	<b>5.39</b>	<b>4.65</b>

Source: BCEAO

The average lending rate was 5.84% in 2020, up 3 basis points compared to 2019. This increase in the

cost of credit is attributable to the rise in the interest rate on loans of more than 10 years (+142 basis

points) and on loans with a duration of between 6 and 12 months (+27 basis points). Credit costs have also increased in two other WAEMU countries between 2019 and 2020: Côte d'Ivoire (+5 basis points) and Mali (+16 basis points). In the rest of the Union, credit costs fell by between 9 and 91 basis points over the same period. The average lending rate fell sharply to 4.65% in 2020 from 5.39% in 2019.

## Microfinance

As of December 31, 2020, the microfinance sector has 128 Decentralized Financial Companies (DFCs). The number of members has increased from 2,960,787 as of December 31, 2019 to 3,113,723, an increase of (+5.16%).

Outstanding loans rose from CFAF 322.5 billion at December 31, 2019 to CFAF 433.1 billion at December 31, 2020. During this period, the portfolio deterioration rate increased from 3.7% to 9.3%.

**Table 25: Key figures of the microfinance sector in Senegal As of December 31, 2020**

<b>Total number of SFDs</b>	<b>128</b>
<b>Amount of deposits</b>	<b>365 billion CFA FRANCS</b>
<b>Outstanding loans</b>	<b>CFAF 433.1 billion</b>
<b>Portfolio decay rate</b>	<b>9.3%</b>
<b>Amount of outstanding credits</b>	<b>40.2 billion</b>

Source: BCEAO

### 4.2.2 Financial markets

WAEMU financial market is structured around the debt securities market (public and private bonds) and the equity market. The regional public securities market has two (2) components: the auction market and the syndication market.

The market for public securities by auction is organized and regulated by BCEAO through UMOA-Titres, while public securities by syndication, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (CREPMF) and organized by the Regional Securities Exchange (BRVM) and the Central Depository/Settlement Bank (DC/BR).

#### BRVM: Presentation and roles

The Regional Stock Exchange (BRVM) is a specialized financial institution created on December 18, 1996, pursuant to a decision of the Council of Ministers of the West African Economic and Monetary Union (WAEMU) taken in December 1993.

BRVM is a public limited company with a community public service mission. This stock exchange is common to the 8 countries of West Africa. BRVM/DC/BR started its activities on September 16, 1998 in Abidjan. Its main missions are the following:

- The organization of the stock market ;
- Publication of stock market transactions;
- Dissemination of information on the stock market;

- Promotion and market development.

#### Evolution of BRVM bonds and equity market

Since 2016, the underperformance of the WAEMU stock market (BRVM) shows that it has not fully resisted the general downward movement that has gripped the world's financial markets. The decline in 2018 of BRVM was particularly marked. Preferred stocks in 2015, focused on food and beverage sector as well as agribusiness, consumer, automotive and equipment and banking, have experienced a decline.

The drop in prices on BRVM could be explained on the one hand, by the profit taking of several large investors who had made significant capital gains on their investment. It also comes from the readjustment (rectification) after four (4) years of intensive rise that the market experienced (2012 to 2015) and on the other hand, the misunderstanding of the various splits made on the market. New investors are speculating and most of the listed companies have not reacted to the fall in their capitalization.

The year 2020 has negatively impacted BRVM, like all financial markets, following the outbreak of the coronavirus. The regional market recorded its largest quarterly decline (-15.79% in the first quarter of 2020) in the last 10 years. However, investors showed continued confidence in the potential of BRVM, which posted one of the best balances since 2016, despite the pandemic and the presidential election in Côte d'Ivoire. More than 35% of listed companies ended the year in the green.

During the 2020 trading year, the BRVM Composite Index fell from 159.2 on 12/31/2019 to 145.37 on 12/31/2020. The market capitalization of the equity market fell from CFAF 4,741 billion at the end of 2019 to CFAF 4,368 billion at the end of 2020, a decline of 7.9%.

The market capitalization of bonds stood at CFAF 6,051 billion as at December 31, 2020, compared with CFAF 4,233 billion the previous year, an increase of 43%. This increase is linked to the need for States to support their respective economies in the context of the pandemic.

**Table 26: BRVM financial market**

	2014	2015	2016	2017	2018	2019	2020
<b>BRVM 10 Indexes</b>	268	290	262	220	154	149	131
<b>BRVM composite Indexes</b>	258	304	292	243	172	159	145
<b>Composite market capitalization (stocks and bonds) in billions of CFA francs</b>	7 459	9 079	10 216	9 806	8 289	8 973	10 418
<b>Equity Market</b>	6 320	7 500	7 706	6 836	4 845	4 741	4 368
<b>Bond market</b>	1 139	1 579	2 509	2 970	3 444	4 233	6 051
<b>Number of listed companies</b>	38	39	43	45	45	46	46

Source: BRVM

### Stock market

Since its creation in 1998, the BRVM has only welcomed three Senegalese companies: the Bank of Africa (BOA) Senegal, the Total group and SONATEL. The listing of major players, such as Total Senegal and BOA Senegal, has helped boost the WAEMU finan-

cial market and build its reputation and credibility. SONATEL's market capitalization fell by 20% from CFAF 1,650 billion in 2019 to CFAF 1,350 billion in 2020. TOTAL Senegal saw a slight increase of 5.7% from 55.4 billion in 2019 to 58.6 billion CFA FRANCS in 2020.

**Table 27: Market capitalization of Senegalese companies on the BRVM**

Market capitalization (in billions of CFAF)	2015	2016	2017	2018	2019	2020
<b>BOA Senegal</b>	189.6	112.8	60	48.4	37.02	30
<b>SONATEL Senegal</b>	2 500.00	2 500.00	2 350.00	1 600.00	1695	1 350
<b>Total Senegal</b>	85.3	69.6	61.9	47.2	55.4	58.6

Source: BRVM

### Bond market

The State of Senegal has abandoned bond issues by syndication since 2018 but uses auctions quite often. Auctioned issues via UMOA-Titres and BCEAO have advantages: they are eligible for BCEAO's portfolio, they are included in the base of bank uses, and they have favorable prudential treatment.

On the other hand, for public offerings via the CREPMF, the issuance and transaction costs are often high (as this implies the use of an investment syndicate composed of Management and Intermediation Companies).

**Table 28: Bond issues by auction and by syndication**

	2015	2016	2018	2019	2020	2021
<b>Sovereign /Company (Syndication)</b>	State of Senegal 6.30% 2015-2025	Sukuk 6% 2016 -2026			SONATEL 6.50% 2020- 2027 100,000 million	
		Microcredit Senegal 6.80% 2016-2026 CFAF 3800 million	SENELEC 6.5% 2018-2025 38250 million CFA FRANCS	Banque de l'Ha- bitat du Sénégal 6.25% 2019-2024 20,000 million		
			CBAO 7.5% 2018-2025 CFAF 10,000 million			
<b>Sovereign (Auction)</b>						T-bond 5.6% 2021- 2024 36,750 million
						T-bond 5.7% 2021- 2026 42,050 million
						T-bond 5.6% 2021- 2024 28,284 million
	5.5% Treasury Bonds 2015- 2018 CFAF 3,680 million	5.5% Treasury Bonds 2016-2019 CFAF 33,000 million		T-bond 6% 2019- 2024 CFAF 20,600 million	T-bond 2020- 2023 5.85% 2020-2025 6% 75,000 million	T-bond 5.7% 2021- 2026 \$18,803 million
	Treasury Bonds 5.5% FCA 28,501 million	6.25% 2016-2023 Bonds CFAF 3,600 million		T-bond 6.15% 2019-2026 CFAF 34,400 million	T-bond 5.85% 2020-2023 6% 2020-2025 6.15% 2020- 2027 50000 million	T-bond 5.7% 2021- 2026 18803 million
	5.5% Treasury Bonds 2015-2018 27,500 million CFA FRANCS	5.9% Treasury Bonds 2016-2023 16500 million CFA FRANCS		T-bond 6% 2019- 2022 CFAF 35,450 million	T-bond 6% 2020-2025 6.15% 2020- 2027 50000 million	T-bond 5.8% 2021- 2028 35,413 million
	5.5% Treasury Bonds 2015- 2018 CFAF 3,500 million			T-bond 6.15% 2019-2026 CFAF 19,550 million	T-bond 5.85% 2020-2023 6% 2020-2025 \$50,000 million	T-bond 5.6% 2021- 2024 15,000 million
				T-bond 6% 2019- 2024 CFAF 19290 million		T-bond 5.7% 2021- 2026 \$18,662 million
				T-bond 6.15% 2019-2026 CFAF 35710 million		T-bond 5.8% 2021- 2028 \$48,543 million
				T-bond 5.85% 2019-2022 CFAF 12,8900 million		T-bond 5.6% 2021- 2026 13,852 million
				T-bond 6% 2019- 2024 21200 million CFA FRANCS		T-bond 6.05% 2021- 2031 41,148 million
				T-bond 6.15% 2019-2026 CFAF 49800 million		

Source: BCEAO, CREPMF

#### 4.2.3 Debt underwriting mechanisms

Any investor based inside or outside WAEMU can invest in public securities issued by way of auction or syndication. Orders are placed through authorized

market participants: investment syndicate or any brokerage firms operating within the Union as part of issues by syndication, and credit institutions established in the Union or brokerage firms having an account in the books of the Central Bank as regards

issues by auction. Transactions on the BRVM's stock market are made by stock exchange intermediaries, notably brokerage firms.

### Organization of contracts by tender

The auction market is a segment of the public securities market, in which WAEMU member States issue Treasury bills and bonds through an auction procedure in order to finance their budgets.

Unlike the syndication market, the auction market is driven by the following players:

- The Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it issues the applicable provisions, intervenes in the organization of auctions of public securities, ensures the function of Central Depository / Settlement Bank, the clearing, settlement and delivery of transactions among participants with an account in its books, through its electronic platform SAGETIL-UMOA<sup>30</sup>;
- States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance;
- UMOA-Titres, the regional agency in charge of issuing and managing public debt securities, physically organizes issues and provides assistance to member States in mobilizing resources on the capital markets and managing their debt;
- Investors, which are credit institutions, MFIs and regional financial organizations with a settlement account in the books of the Central Bank<sup>31</sup>;
- Primary dealers (SVTs), which are credit institutions and SGIs that have obtained the approval of the Ministers of Finance of WAEMU Member States to act in this capacity and thus benefit from the status of privileged partners of one or more Member States' Treasuries in operations on public debt securities issued on the regional market.<sup>32</sup>

Securities issued at auction are traded on the secondary market, following an over-the-counter procedure.

### Organization of the syndication markets and subscription amounts

The WAEMU regional financial market is characterized by a mixed organization. Indeed, it is composed of a public pole made up of the Conseil Régional de l'Épargne Publique et des Marchés Financiers (CREPMF) (Regional Council for Public Savings and Financial Markets) and a private pole comprising, on

the one hand, central agencies such as the Bourse Régionale des Valeurs Mobilières (BRVM) (Regional Stock Market) and the Central Depository/Settlement Bank (DC/BR), and, on the other hand, the market participants.

CREPMF is the regulator of the WAEMU regional financial market. Its missions are, among others, to:

- Ensure the authorization and control of public offering procedures;
- Empower market management agencies and accrediting market participants;
- Approve commercial stakeholder rates;
- Regulate market operation;
- Monitor the regularity of stock market transactions.

BRVM is organized in a central site based in Abidjan (Côte d'Ivoire) and represented in each member State by a National Stock Exchange (ANB). The main attributions of the BRVM are:

- Authorization of stock market participants to carry out their activities;
- Management of the market, in particular the centralization of buy or sell orders, listing management, dissemination of market information, as well as the promotion and popularization of the financial culture within WAEMU;
- Management of unsettled transactions.

### The Central Depository/Settlement Bank (CD/BR) is a financial institution, whose role is:

- To proceed with the clearance of the applicants for the function of account holder ;
- To ensure the settlement of negotiations and the management of the financial service of the securities;
- To ensure the maintenance of current accounts of securities opened by primary dealers (SGI) in its books;
- To ensure the safekeeping and the scriptural circulation of securities;
- To make cash payments, as settlement bank, of the balances of stock exchange transactions.

As part of organizing issues by syndication, States entrust the securities placement process to a placement syndicate, whose members are made up of primary dealers approved by the CREPMF. In addi-

<sup>30</sup> Automated Securities and Liquidity Management System of the West African Monetary Union. <sup>31</sup> All other investors wishing to participate will have to go through the approved stakeholders.

<sup>32</sup> The operationalization of primary dealers within WAEMU started on March 1, 2016.



tion, the issuer chooses a lead manager from among the members of the syndicate, who is in charge of specific missions in the issue process.

Since its inception, the main products on the regional financial market have been equities and bonds. In recent years, several new products such as

mortgage refinancing and securitization (Sukuk debt securitization funds) have been introduced. Securities issued through syndication are traded on the secondary market on the BRVM's electronic trading platform.

### 4.3 Inflation rate

The table below shows the annual inflation rate in Senegal and WAEMU. According to the ANSD (2020) report, consumer prices rebounded by +0.5% in the

fourth quarter of 2020 in Senegal. On an annual basis, consumer prices increased by 2.5 percent. The annual inflation rate was +2.5 percent in 2020.

**Table 29: Inflation rates in Senegal and the WAEMU (%)**

Inflation	2015	2016	2017	2018	2019	2020	2021*
Senegal	0.1	0.8	2.2	0.5	1.0	2.5	1.6
UEMOA	1.0	0.3	1.1	1.2	-0.7	2.1	2.0

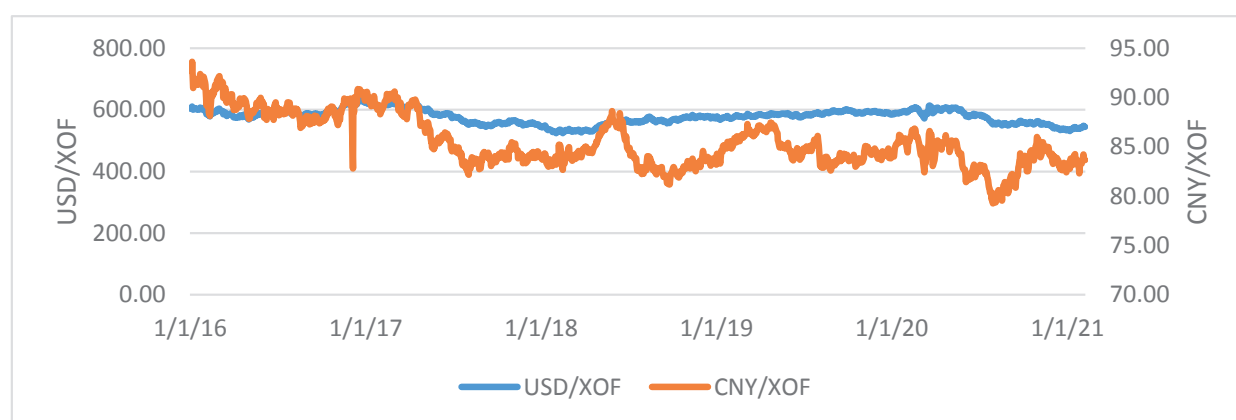
\*Forecast Source: BCEAO

### 4.4 Exchange rates

Because of its membership in the WAEMU monetary zone, Senegal applies an unrestricted exchange rate

regime to all payments and transfers related to international transactions.

**Figure 3: Exchange rates of the US dollar and the Chinese Yuan against the CFAF**



Source: BCEAO

The exchange rate between the dollar and the CFA franc fell between 2016 and 2020 from 1 dollar for 603.79 CFA francs in 2016 to 1 dollar for 533.34 CFA francs in 2020. As for the exchange rate between the

Chinese Yuan and the CFA franc, it fell from 1 CNY for 92.71 CFA FRANCS in 2016 to 1 CNY for 82.4 CFA FRANCS in 2020.

### 4.5 Foreign Reserves

Senegal's reserve assets stood at SDR 154.8 million and remained constant over the 2015-2019 period. Senegal's quota increased by 100 percent between 2015 and 2016, but remained constant in 2017 and 2019 (SDR 323.6 million). The reserve position is the

"reserve tranche" that corresponds to the amounts of foreign exchange a member country can obtain from the IMF at short notice. Senegal's reserve position increased from SDR 1.9 million in 2015 to SDR

42.3 million in 2016 but remained constant in 2017 and 2019.

**Table 30: Senegal's external reserves**

(billions of CFAF)	2014	2015	2016	2017	2018	2019
<b>Fiduciary circulation</b>	685.1	806.8	920.1	1147.6	1187.0	1299.3
<b>SDR allocation (in millions of SDR)</b>						
<b>Allocations</b>	154.8	154.8	154.8	154.8	154.8	154.8
<b>Availability</b>	130.1	107.7	41.6	16.9	3.7	7.9
<b>IMF</b>						
<b>Share</b>	161.8	161.8	323.6	323.6	323.6	323.6
<b>Reserve position</b>	1.9	1.9	42.3	42.3	42.3	42.3

Source: BCEAO, IMF

## 5.1 Balance of payments

The current account balance is structurally in deficit over the period 2015-2020. For the year 2020, the current account will deteriorate by CFAF -627.2 billion to CFAF -1,739.3 billion due to the direct negative effects of Covid-19, linked in particular to the closure of land and air borders. The trends in the current account balance are essentially attributable to the balance of goods and services. Indeed, for the year 2020, the deficit on the goods and services account deteriorated by CFAF -1,957.8 billion, including CFAF -869.2 billion for the services account alone. According to BCEAO<sup>33</sup> projections, the current account deficit should improve in 2021 to CFAF -1,872.4 billion, driven by the government's resilience program and a partial recovery in global economic activity.

In addition, the primary and secondary income balances are expected to improve by CFAF 80.8 billion and CFAF 165.4 billion respectively in 2020 despite the spread of Covid-19 in the main host countries.

For its part, the capital account surplus, which is structurally in surplus, stood at CFAF 216.6 billion in 2020, an increase of 26.9% compared to the previous year, linked to an increase in transfers to the general government (25.1%).

The financing requirement was estimated at CFAF -1,464.5 billion in 2020, after CFAF -895.5 billion a year earlier. This need would be partially financed by the surplus on the financial account of CFAF 1,374.5 billion (including CFAF -753.5 billion in foreign direct investment). All in all, the overall balance would show a deficit of CFAF -90.0 billion in 2020.

**Table 31. Senegal's balance of payments**

In billions of CFAF	2015 Real.	2016 Real.	2017 Real.	2018 Real.	2019 Real.	2020 Estimate	2021 Forecast
<b>Current account</b>	<b>-558.7</b>	<b>-472.5</b>	<b>-887.2</b>	<b>-1 230.4</b>	<b>-1 112.1</b>	<b>-1 739.3</b>	<b>-1 872.4</b>
<b>Trade balance in goods and services</b>	<b>-1 342.9</b>	<b>-1 237.5</b>	<b>-1 688.4</b>	<b>-2 040.1</b>	<b>-1 953.6</b>	<b>-2 827.0</b>	<b>-2 897.4</b>
<b>Balance of Goods</b>	<b>-1 274.4</b>	<b>-1 164.7</b>	<b>-1 569.0</b>	<b>-1 886.4</b>	<b>-1 687.7</b>	<b>-1 957.8</b>	<b>-2 141.2</b>
Exports of goods FOB	1 669.2	1 703.5	1 907.8	2 147.4	2 594.4	2 226.3	2 463.4
Of which fishery products	265.0	287.3	236.4	316.5	330.8	311.4	349.7
Imports of goods FOB	-2 943.6	-2 868.2	-3 476.8	-4 033.8	-4 282.1	-4 184.1	-4 604.6
Of which petroleum products	588.9	521.9	-856.1	-1 254.4	-1 234.3	-990.7	-1 152.5
<b>Balance of services</b>	<b>-68.5</b>	<b>-72.8</b>	<b>-119.4</b>	<b>-153.7</b>	<b>-265.9</b>	<b>-869.2</b>	<b>-756.2</b>
<b>Primary income balance</b>	<b>-231.5</b>	<b>-295.4</b>	<b>-341.0</b>	<b>-333.8</b>	<b>-383.8</b>	<b>-303.0</b>	<b>-308.6</b>
<b>Balance of secondary income (transfers)</b>	<b>1 015.8</b>	<b>1 060.4</b>	<b>1 142.2</b>	<b>1 143.5</b>	<b>1 225.3</b>	<b>1 390.7</b>	<b>1 333.6</b>
<b>Capital account</b>	<b>202.7</b>	<b>214.8</b>	<b>223.6</b>	<b>244.8</b>	<b>216.6</b>	<b>274.8</b>	<b>283.1</b>
Of which capital transfers	204.3	217.5	225.8	247.8	219.7	274.8	283.1
<b>Balance of current and capital accounts</b>	<b>-356.0</b>	<b>-257.7</b>	<b>-663.6</b>	<b>-985.6</b>	<b>-895.5</b>	<b>-1 464.5</b>	<b>-1 589.3</b>
<b>Financial account<sup>34</sup></b>	<b>-511.9</b>	<b>-303.7</b>	<b>-775.8</b>	<b>-1 508.1</b>	<b>-1 036.9</b>	<b>-1 374.5</b>	<b>-1 720.1</b>
Of which direct investments	-223.4	-147.3	-293.7	-441.6	-582.6	-753.5	-1 135.2
<b>Statistical errors and omissions</b>	<b>4.6</b>	<b>3.5</b>	<b>4.3</b>	<b>2.0</b>	<b>5.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Overall balance</b>	<b>160.5</b>	<b>49.5</b>	<b>116.6</b>	<b>524.5</b>	<b>146.5</b>	<b>-90.0</b>	<b>130.8</b>

Source: BCEAO

## 5.2 Regional trade

### 5.2.1 Regional trade policy

West African countries are engaged in numerous trade negotiations at the regional (integration process), bilateral (Interim Economic Partnership Agree-

ment - IEPA) and multilateral (World Trade Organization - WTO and regional EPA) levels.

Good coordination between the various negotiations at the regional and international levels (CET; EPA;

<sup>33</sup> BCEAO (2020), "Balance of Payments and International Investment Position of Senegal - 2019," December 30, 2020. <sup>34</sup> Presented according to the BCEAO's analytical approach. It describes how the financing need (capacity) of the economy covered (used). The headings are foreign direct investment (FDI), portfolio investment, financial derivatives and other investment. With the methodology of the sixth edition, the sign convention of the financial account items has changed. The (-) signs correspond to increases in liabilities and/or decreases in claims. As for the signs (+), they reflect a reduction in commitments and/or an increase in receivables.

WTO, AGOA, etc.) is essential to achieving the trade performance objectives of WAEMU member States.

National and regional trade policies in West Africa depend on various spaces. Indeed, the regional negotiation space is articulated around the following elements

- The finalization of the Common External Tariff (CET) at the ECOWAS level, and thus the constitution of a Customs Union;
- A space for bilateral negotiations, particularly between the West African region and the EU, regarding the EPA;
- A multilateral negotiating space, which refers to WTO rules, of which all West African States are members (with the exception of Liberia, which has observer status). It should be noted that each country negotiates individually and that WAEMU and ECOWAS only have ad hoc observer status in the WTO Trade and Development Commission.

With regard specifically to WAEMU, it has a common trade policy based in particular on

- A common market set up on July 1, 1996 for local and unprocessed products (products of the Union from the animal, mineral and vegetable kingdoms) and traditional crafts, and until January 1, 2000 for approved industrial products. This common market was extended to all ECOWAS countries in 2004;
- A customs union established on January 1, 2000, based on a CET applicable to all WAEMU member countries, which includes four categories of products, taxed from 0 to 20%, in force until January 1, 2015, when the WAEMU CET was replaced by the ECOWAS CET, which enshrines the expansion of the customs union to the 15 ECOWAS countries.
- Common rules of origin and competition, harmonization of VAT and excise duties, harmonization and mutual recognition of standards, common safeguards and protections (Degressive Protection Tax (DPT), short-term export tax (STT), reference values and anti-dumping duty).

WAEMU also has a regional trade promotion program, "a regional strategy and a logical framework for the implementation of the WAEMU aid-for-trade program".

The overall objective of the aid for trade strategy is to enable member States to increase their exports of

goods. The logical framework serves as the basis for an agenda for international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of aid for trade:

- Ensure ownership and control of trade policies and regulations by experts from member States and the Commission;
- To develop intra-regional and international trade of the member States;
- Strengthen trade-related infrastructure in the sub-region;
- Diversify and increase the production capacities of member States;
- Make essential adjustments and take into account other business needs.

The needs and priorities were identified on the basis of the Regional Economic Program (REP), which is the reference framework for the WAEMU integration process, as well as existing capacity building programs in the States.

#### • The Common External Tariff

Rules in force at the ECOWAS borders in terms of customs policy are those laid down by the ECOWAS Common External Tariff (CET). The applicable rules of origin are defined by the Trade Liberalization Scheme (TLS).

The CET aims to harmonize tariffs and taxes in order to deepen economic integration through the establishment of a customs union; provide a platform for building the common trade policy and regional trade negotiations such as the EPA; stimulate regional production and investment capacity; and consolidate the regional market.

The CET is organized around an architecture including:

- i. A Tariff and Statistical Nomenclature (TSN), i.e. a common customs nomenclature based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organization (WCO) adopted by the Community;
- ii. A table of duties and taxes applicable to imported products which includes: the customs duty (DD), the statistical fee (RS) and the ECOWAS community levy (PC ECOWAS);
- iii. Trade defense measures or supplementary protective measures, if any, which may generate du-

ties that may affect the final price of products imported into the Community from third countries;

- iv. The statistical royalty rate is set at 1% and applies equally to all imported products, whether exempt or not;

- v. The tax base for the application of the common external tariff is ad valorem.

The tariff structure of the CET is presented in the following table:

Category	Description	Rates
0	Essential social goods	0 %
1	Basic raw materials and capital goods	5 %
2	Intermediate products	10 %
3	Final consumer goods	20 %
4	Specific assets for economic development	35 %

The CET was established in accordance with the requirements of the World Customs Organization's Harmonized System and the World Trade Organization's Regional Trade Agreements (Article 24 of GATT).

#### • Specific rules applicable to ECOWAS countries' foreign trade of goods

Several trade regimes are in place within ECOWAS. The following table presents the existing regimes according to the trading partners.

PARTNERS	SPECIFIC SCHEMES
European Union (EU)	APEI, SPG, SPG+, TSA
ECOWAS	TEC, SLE
Rest of AFRICA	Bilateral agreements
USA	AGOA
ASIA	Bilateral Agreements
Other industrialized countries	Generalized System of Preferences (GSP)
Rest of the world	Bilateral agreements, GSP

Pending the implementation of the EPA, different tariff regimes apply depending on the status of countries in the framework of trade between ECOWAS and the EU:

- Côte d'Ivoire and Ghana ratified interim EPAs in 2016. Côte d'Ivoire's EPA has been provisionally applied since September 4, 2016, and Ghana's EPA has been applied since December 15, 2016. These interim EPAs guarantee both countries full access to the European market and provide for eventual liberalization of 80% of tariff lines by Côte d'Ivoire and Ghana, spread over a period of 15 years ;
- Under the GSP, Nigeria benefits from a reduction in European customs duties on approximately 1/3 of tariff lines and a total exemption from customs duties on 1/3 of additional tariff lines
- Cape Verde benefits from the GSP+ which grants an exemption from European customs duties on about 2/3 of the tariff lines;

- The other twelve countries (including the seven WAEMU countries besides of Côte d'Ivoire), because of their LDC status, benefit from the Everything But Arms GSP, which grants them access to the European market for all their exports to the EU without duty or quota.

#### 5.2.2 Regional trade in value

The upward trend in Senegal's regional trade by value within WAEMU continued in 2019, confirming the strengthening of the economic integration process in the Union. The value of merchandise exports is estimated at CFAF 802.8 billion for 2019,<sup>36</sup> compared with CFAF 578.7 billion and CFAF 598.2 billion in 2017 and 2018 respectively.

In 2019, the bulk of Senegal's exports to the WAEMU went to Mali and Côte d'Ivoire. Exports to these countries were CFAF 574.1 billion and CFAF 97.1 billion, respectively. Exports to other countries of the Union in 2019 were CFAF 15.5 billion for Benin, CFAF 39.6 billion for Burkina Faso, CFAF 50.0 bil-

<sup>35</sup> Over 11 years (2019-2029) currently for Côte d'Ivoire. <sup>36</sup> The latest BCEAO publication of Senegal's balance of payments and international investment position is dated December 31, 2020 and is for the year 2019. However, the 2019 data are adjusted from those found in the 2020 edition of the WAMU Information Note.

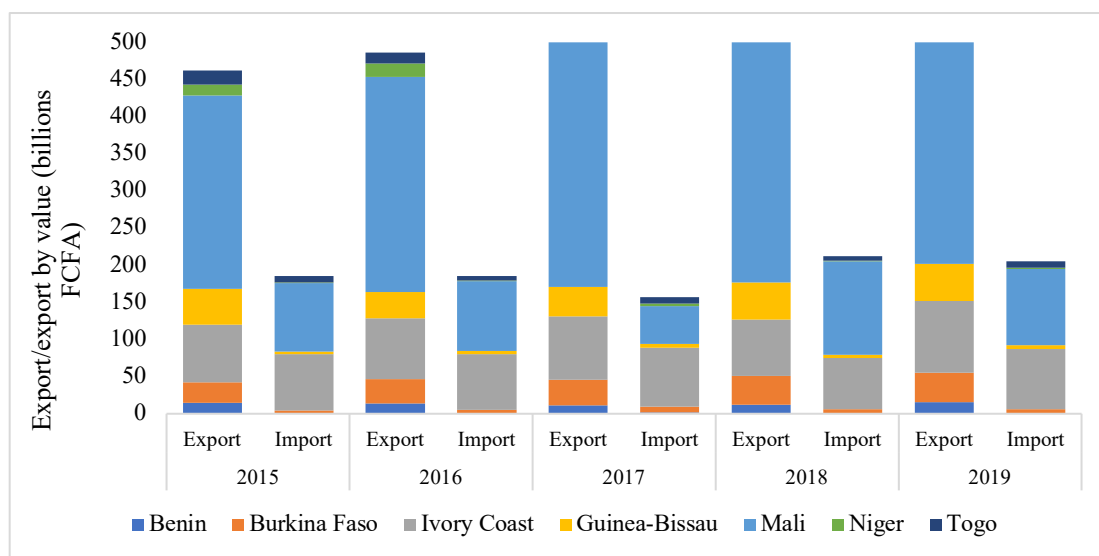


lion for Guinea Bissau, CFAP 9.8 billion for Niger and CFAP 16.8 billion for Togo.

Senegal's merchandise<sup>37</sup> imports from other WAEMU countries increased from CFAP 185.2 billion in 2015 to CFAP 204.8 billion in 2019. Senegal imports mainly from Mali and Côte d'Ivoire in 2019 for CFAP 102.1

billion and CFAP 80.7 billion respectively. Imports from other EU countries are estimated at CFAP 0.7 billion for Benin, CFAP 5.6 billion for Burkina Faso, CFAP 5.7 billion for Guinea Bissau, CFAP 1.9 billion for Niger and CFAP 8.1 billion for Togo in 2019.

**Figure 4. Value of exports and imports between Senegal and the 7 other WAEMU countries**



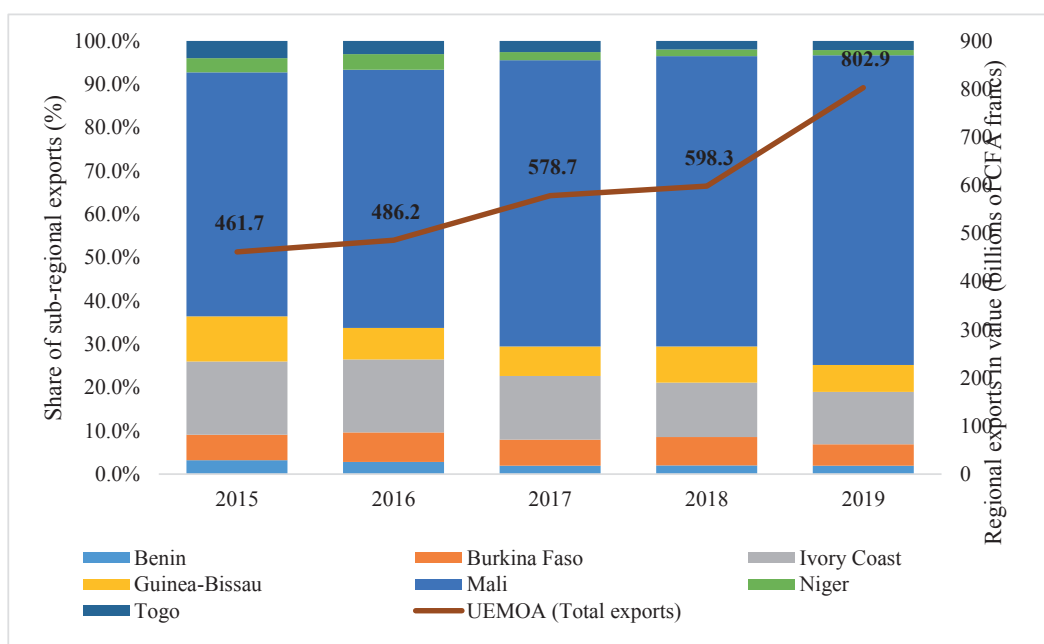
Source: BCEAO (December 2020)

### 5.2.3 Regional exchanges by partner

Sub-regional trade in terms of exports to WAEMU is driven by Mali (71.5%<sup>38</sup>), Côte d'Ivoire (12.1%),

Guinea Bissau (6.2%) and Burkina (4.9%). The other countries in the Union have very low shares: Benin (1.9%), Niger (1.2%) and Togo (2.1%).

**Figure 5. Share of each WAEMU country in Senegal's exports**



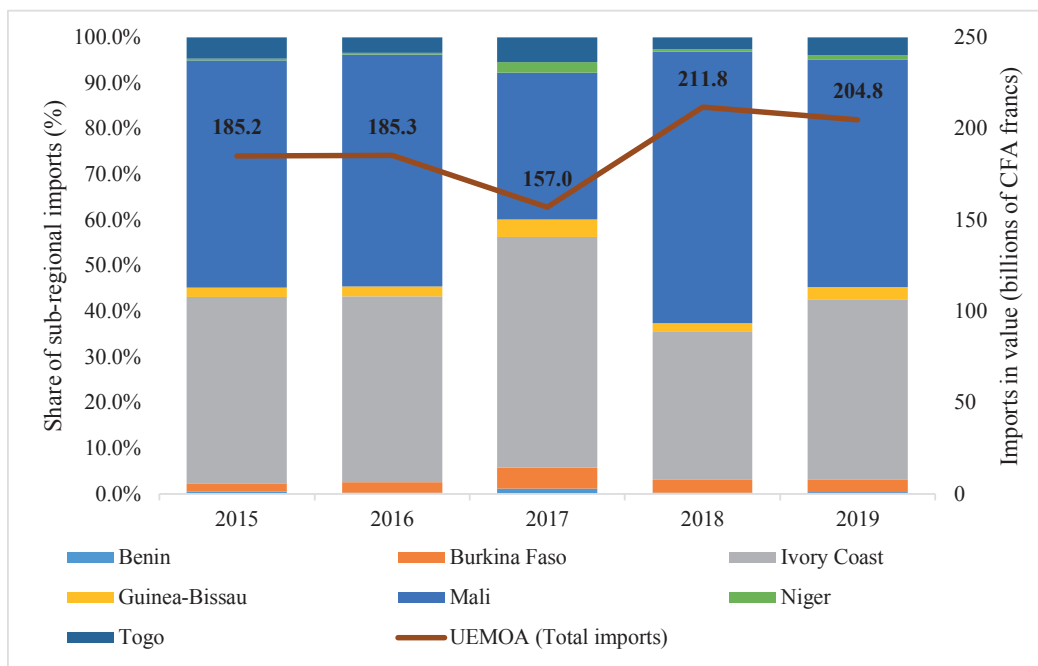
Source: BCEAO

<sup>37</sup> Unadjusted CAF value <sup>38</sup> Share of Senegal's total exports to the WAEMU

In terms of merchandise imports, Senegal's main suppliers in 2019 are Mali (49.9 percent), Côte d'Ivoire (39.4 percent), followed by Togo (4.0 percent), Guinea-Bissau (2.8 percent), Burkina (2.7 percent), Niger

(0.9 percent), and Benin (0.3 percent). Mali and Côte d'Ivoire are Senegal's main clients and suppliers in the Union.

**Figure 6. Share of each WAEMU country in Senegal's imports**



Source: BCEAO

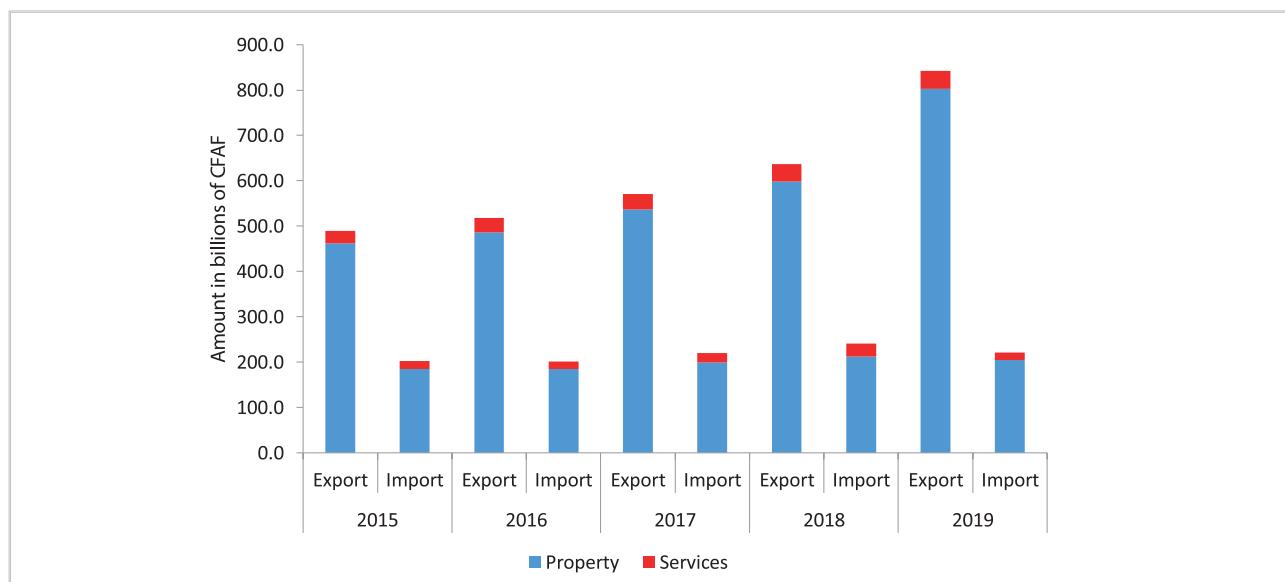
#### 5.2.4 Regional exchanges by type

Sub-regional trade by type of product from Senegal is driven by trade in goods and a moderate contribution from services. According to the BCEAO, in 2019 exports of goods to WAEMU countries consisted mainly of petroleum products (CFAF 343.9 billion),

cement and, to a lesser extent, manufactured food products. Intra-community tourism flows, used to approximate Senegal's regional trade in services, have been estimated at CFAF 40.2 billion for receipts and CFAF 24.6 billion for expenditures in 2020.

<sup>39</sup> Approached by tourist flows, whose data are regularly published by the BCEAO's sub-regional unit.

**Figure 7. Regional trade by sector**



Source: BCEAO, Subregional Unit

## 5.3 International trade

### 5.3.1 Commercial policy

Senegal has been a member of the WTO since January 1, 1995, and a member of the GATT since September 27, 1963. Senegal's trade policy is determined in part by its commitments at the multilateral, regional, and subregional levels. It aims to "build a competitive economy conducive to inclusive growth and the creation of decent jobs" (WTO). Specifically, the measures taken aim to contribute to reducing the trade balance deficit, ensuring regular supplies to the domestic market, promoting local industries, strengthening the regional integration process and access to international markets, and promoting competition<sup>40</sup>.

Senegal also intends to take advantage of trade opportunities that exist both at the subregional and multilateral levels, as well as within the framework of unilateral preferences granted by its trading partners. The planned actions include mechanisms to protect the national economy against unfair foreign competition, support for the development of strategic agricultural sectors, implementation of an export promotion strategy, development of market access conditions, and strengthening of supply capacities. Thus, as an LDC, Senegal benefits from preferential treatment offered by the EU and the United States. Other developed countries grant Senegal trade preferences in line with their national preference schemes.

In the WTO negotiations, Senegal accepted the 2005 Protocol amending the TRIPS Agreement in January 2011. The country also accepted the 2014 Protocol on the Trade Facilitation Agreement in August 2016. In its WTO activities, Senegal intends to rely on its regional partners to develop proactive sub-regional diplomacy, and advocate for fairer trade rules.

In addition, Senegal adopted a new Customs Code in 2014, repealing the 1987<sup>41</sup> Code. This reform of the legislation aims in particular to make it more consistent with international and regional provisions, to strengthen the anti-fraud mechanism, and to reorganize the rules of customs litigation. The new code incorporates the provisions of the WTO Agreement on Customs Valuation; the International Convention on the Simplification and Harmonization of Customs Procedures (revised Kyoto Convention); the International Convention on Mutual Administrative Assistance in Customs Matters (Johannesburg Convention); and the WAEMU Customs Code.

### 5.3.2 International trade in value and by destination

According to the 2019 balance of payments published in December 2020, Senegal's merchandise exports are mainly directed to the African continent (50.1%), Asia (22.2%) and Europe (15.2%). In recent years, there has been a decrease in the share of Europe in favor of the African continent.

<sup>40</sup> MCISI (2013), Ministry of Commerce, Industry and Informal Sector Strategic Directions Paper, April. <sup>41</sup> Law No. 2014-10 of February 28, 2014 on the Customs Code

As for imports, Senegal's main suppliers remain the countries of Europe (55.6%) and Asia (25.1%), followed by Africa (13.1%) and America (5.9%). The shares of African countries have weakened in fa-

vor of those of European countries. Indeed, Africa's share drops from 19.1% in 2018 to 13.1% in 2019 while conversely Europe's share increases from 46.2% to 55.6%.

**Table 32. Breakdown of trade by country**

In billions of CFAF	2015	2016	2017	2018	2019
<b>Exports (FOB)</b>					
European Union	253.5	231.2	264.8	302.7	324.1
United States	38.2	36.5	52.9	62.9	77.5
Japan	4.0	4.1	3.2	6.8	9.6
India	82.9	122.3	87.3	168.3	211.9
China	71.0	74.8	77.7	64.1	161.9
Thailand	0.5	1.2	3.3	2.9	0.8
ECOWAS	591.1	641.9	744.5	768.7	960.0
UEMOA	461.6	486.2	578.9	598.2	802.8
Nigeria	6.4	5.9	12.6	16.5	15.0
Gambia	53.3	50.4	62.8	54.2	45.4
Mauritania	31.2	45.6	44.9	41.9	39.7
Other customers	427.2	327.7	380.5	375.6	385.0
<b>Total (FOB adjusted)</b>	<b>1 499.6</b>	<b>1 485.3</b>	<b>1 659.1</b>	<b>1 793.9</b>	<b>2 170.5</b>
<b>Imports (CIF)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
European Union	1 337.3	1 239.5	1 508.6	1 698.0	2 099.6
United States	87.6	72.1	81.4	112.1	93.6
Japan	77.1	73.1	70.2	79.3	82.2
India	210.0	245.2	285.3	288.8	162.3
China	323.6	331.7	380.2	498.3	510.4
Thailand	62.3	58.7	83.4	68.0	68.9
ECOWAS	453.0	470.9	555.3	640.9	500.7
WAEMU	185.2	185.2	157.1	211.9	204.8
Nigeria	268.0	249.6	309.4	388.9	245.6
Mauritania	2.9	5.2	3.6	7.0	3.3
Other suppliers	780.9	725.6	937.7	1 111.3	1 253.0
<b>Total (adjusted)</b>	<b>3 334.7</b>	<b>3 222.0</b>	<b>3 905.7</b>	<b>4 503.7</b>	<b>4 774.0</b>

Source: BCEAO

### 5.3.3 International trade in value and by product

Exports of goods increased between 2015 and 2019, from CFAF 1,569.0 billion to CFAF 2,446.7 billion. In 2019, Senegal's goods exports are driven by petroleum products (CFAF 477.7 billion), fishery products (CFAF 330.8 billion), phosphates (CFAF 195.7 bil-

lion), groundnut products (CFAF 153.1 billion), and heavy minerals (CFAF 115.4 billion).

The analysis of imports by product group in 2019 shows a decline in oil (-20.1 billion CFAF) and food (-6.8 billion CFAF) bills, a slowdown in purchases of intermediate goods (+32.3 billion CFAF in 2019 compared to +155.0 billion CFAF in 2018) and an increase in capital goods purchases (+223.8 billion CFAF).

**Table 33. Breakdown of trade by product**

In billions CFAF	2015	2016	2017	2018	2019
<b>Exports of products (FOB)</b>					
Sea salt	11.6	11.0	8.7	8.2	10.3
Heavy minerals (Zircon. Titanium etc.)	55.1	58.5	82.5	99.7	115.4
Petroleum products	212	161.4	242.9	303.9	477.7
Groundnut products	86.5	75.7	65.4	63.6	153.1
Phosphates	34.0	18.6	18.4	16.2	22.3
Cotton	9.1	8.6	6.5	7.0	7.0
Horticultural products	44.8	51.2	62.9	81.5	101.5
Fishing products	203.1	217.9	236.4	274.3	330.8
Cement	104.9	122.8	117.7	86.5	77.7
Phosphoric acid	94.0	115.6	96.0	157.2	195.7
Fertilizers	6.2	10.2	18.9	26.0	29.5
Manufactured products	71.1	72.2	83.6	88.8	67.9
Other export products	636.6	627.6	710.3	802.8	857.8
<b>Total (FOB unadjusted)</b>	<b>1 569.0</b>	<b>1 551.3</b>	<b>1 750.2</b>	<b>2 015.7</b>	<b>2 446.7</b>
<b>Imports (CIF)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Food products	629.7	618.4	767.7	788.1	781.3
Other consumer goods	389.9	366	410.7	440.2	458.5
Petroleum products	778.7	637.4	856.1	1 254.40	1 234.3
Intermediate goods	624.4	644.9	777.2	932.2	964.5
Capital goods	848.6	857	974.3	961	1 184.8
Miscellaneous products	87.6	94.7	122.7	112	150.6
<b>Total (unadjusted cash flow)</b>	<b>3 359.00</b>	<b>3218.5</b>	<b>3 908.70</b>	<b>4 488.0</b>	<b>4 773.9</b>

Source: BCEAO

## 5.4 Foreign direct investment

Foreign direct investment (FDI) flows to Senegal resulted in a net capital inflow of CFAF 661.4 billion in 2019 (4.8% of GDP<sup>42</sup>) compared to CFAF 671.0 billion in 2018, a decline of CFAF 9.6 billion in line with Covid-19. The relatively good performance of FDI is linked, in part, to the prospects for the exploitation of oil and gas resources as well as new gold mines and the promotion of a business climate more conducive to private sector development.

In 2019, foreign direct investment (FDI) flows to Senegal will come mainly from Europe (21.0%), with France accounting for the largest share (14.2%), followed by the United Kingdom (6.8%) and other European Union countries. But the source of FDI is increasingly expanding to other countries, particularly in Asia (China and Singapore) and certain African countries (Togo and Morocco).

**Table 34. Share of FDI by country of origin**

In billions OF CFAF	2015		2016		2017		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Africa</b>	<b>77.0</b>	<b>15.7%</b>	<b>179.0</b>	<b>30.4%</b>	<b>67.5</b>	<b>13.3%</b>	<b>69.8</b>	<b>10.4%</b>	<b>25.3</b>	<b>3.8%</b>
<b>America</b>	<b>32.0</b>	<b>6.5%</b>	<b>42.0</b>	<b>7.1%</b>	<b>11.3</b>	<b>2.2%</b>	<b>75.4</b>	<b>11.2%</b>	<b>15.7</b>	<b>2.4%</b>
North	25.0	5.1%	29.0	4.9%	8.6	1.7%	16.3	2.4%	6.6	1.0%
Latin	8.0	1.6%	13.0	2.2%	2.7	0.5%	59.1	8.8%	9.1	1.4%
<b>Asia</b>	<b>10.0</b>	<b>2.0%</b>	<b>13.0</b>	<b>2.2%</b>	<b>27.9</b>	<b>5.5%</b>	<b>68.2</b>	<b>10.2%</b>	<b>19.0</b>	<b>2.9%</b>
Lebanon	2.0	0.4%	2.0	0.3%	0.0	0.0%	13.5	2.0%	3.1	0.5%
Indonesia	0.0	0.0%	0.0	0.0%	21.0	4.1%	34.1	5.1%	8.8	1.3%

<sup>42</sup> Nominal GDP (2014 base). <sup>43</sup> The consolidation of the geographic breakdown of FDI by country of origin for 2019 is underway at the BCEAO. The data shown are partial data from the IMF.



India	0.0	0.0%	0.0	0.0%	0.0	0.0%	22.2	3.3%	7.1	1.1%
<b>Europe</b>	<b>125.0</b>	<b>25.6%</b>	<b>60.0</b>	<b>10.2%</b>	<b>199.2</b>	<b>39.2%</b>	<b>230.9</b>	<b>34.4%</b>	<b>138.9</b>	<b>21.0%</b>
France	79.0	16.2%	1.0	0.2%	60.0	11.8%	78.4	11.7%	94.0	14.2%
United Kingdom	13.0	2.7%	17.0	2.9%	121.0	23.8%	121.1	18.0%	44.9	6.8%
<b>Rest of the world</b>	<b>245.0</b>		<b>294.0</b>		<b>202.7</b>		<b>226.7</b>		<b>462.5</b>	
<b>Total</b>	<b>489.0</b>	<b>100.0%</b>	<b>588.0</b>	<b>100.0%</b>	<b>508.6</b>	<b>100.0%</b>	<b>671.0</b>	<b>100.0%</b>	<b>661.4</b>	<b>100.0%</b>

Source: IMF

## 5.5 Regional integration

### 5.5.1 WAEMU convergence criteria

There are five WAEMU convergence criteria, divided into two tiers. These are the first-tier criteria (budget balance as a percentage of nominal GDP, average inflation rate and total public debt outstanding as a percentage of nominal GDP), which Member States are obliged to respect, and the second-tier criteria (wage bill as a percentage of tax revenue and tax burden).

For the first-tier criteria, Senegal has consistently met two criteria between 2015 and 2020: average inflation rate less than or equal to 3 percent and total public debt stock to nominal GDP less than or equal to 70 percent. The criterion requiring the budget balance to nominal GDP ratio to be less than or equal

to -3.0% was only met in 2017 with a ratio of -3.0%. Projections show that this criterion will not be met in 2020 and 2021 with values of -6.1 percent and -5.0 percent, respectively.

Like almost all WAEMU member States, Senegal is far from being able to meet the criterion relating to the tax burden, which must be greater than or equal to 20 percent. The average tax burden over the 2015-2019 period was 15.9 percent. The estimate for 2020 indicates a tax burden of 16.8 percent, and projections put it at 17.1 percent in 2021. The Senegalese government's wage bill to tax revenue ratio would be respected: according to WAEMU Commission projections, the value would reach 34.7 percent in 2020, with a limit set at 35 percent.

**Table 35: WAEMU convergence criteria**

	2015	2016	2017	2018 <sup>44</sup>	2019 Estimate	2020 Estimate	2021 Forecast
<b>First row</b>							
Budget balance / nominal GDP (norm ≤ 3%)	-3.7%	-3.3%	-3.0%	-3.5%	-3.9%	-6.1%	-5.0%
Average annual inflation rate (≤ 3%) *	0.8%	1.3%	1.7%	2.3%	1.0%	2.7%	1.7%
Total public debt outstanding in relation to nominal GDP (≤ 70%)	43.8%	47.2%	47.7%	54.8%	57.2%	62.6%	65.8%
<b>Second row</b>							
Wage bill/tax revenue (norm ≤ 35%)	32.9%	32.0%	32.5%	31.8%	30.4%	34.7%	35.3%
Tax pressure (standard ≥ 20%)	15.2%	15.9%	15.0%	16.0%	17.4%	16.8%	17.1%

Source: DPPE, WAEMU Commission

### 5.5.2 Regional integration

Trade relations with the African continent take place within the framework of economic integration zones. These integration zones facilitate the movement of people and goods. Senegal is a member of two integration institutions: the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS).

The WAEMU groups the eight West African countries that use the CFA franc as their common currency. ECOWAS, which is larger than WAEMU, is made up of 15 West African countries. However, WAEMU is at a more advanced stage of integration than ECOWAS. Indeed, WAEMU is a customs union with the existence and application of a Common External Tariff (CET) since 2000. In ECOWAS, work on the establishment of a CET has been finalized and its application has been effective since January 2015.

<sup>43</sup> From 2018 onwards, the debt takes into account the broader public sector

Under the PES, the government intends to deepen regional integration through the rehabilitation and development of the infrastructure network, the removal of barriers to the free movement of people, goods and services, and the development of trade. The government also intends to strengthen community initiatives in the areas of food security, agricultural

and energy policy, and regional economic programs. For integration purposes, the government intends to improve the country's competitiveness, strengthen its position in trade negotiations, expand the export base, and diversify trading partners.

## 6.1 Business climate

Senegal occupies the 123rd position out of 190 countries in 2020 against 141st in 2019 according to the Doing Business report. This ranking reflects Senegal's commitment to improving the business

climate in line with the priorities of the Plan for an Emerging Senegal (PES) and its priority action plans.

**Table 36. Indicators measured by the Doing Business report**

Indicator	Content	Metric
Creation of a company	Procedures, time limits, costs and minimum capital contribution required to create a limited liability company	
Building Permits	Procedures, time and costs associated with the completion of all formalities required to build a warehouse and quality and safety controls in the building permit system	
Connection to electricity	Procedures, time and cost of connection to the electricity grid, reliability of electricity supply and tariff transparency	
Property registration	Procedures, time and cost of title transfer, and quality of the land administration system	
Cross-border trade	Time and costs associated with exporting the product of comparative advantage and importing automotive parts	
Obtaining loans	Pledge of personal property legislation and credit information system	
Investor protection	Rights of minority shareholders in related party transactions and corporate governance	
Payment of taxes	Payments, deadlines and total payable for a company that fully applies the post-tax return legislation and procedures	

Contract enforcement	Time and cost of settling a commercial dispute and quality of legal proceedings	Time frame (days)	740
		Cost (% of receivable)	36.4
		Index for the quality of legal proceedings (0-18)	6.5
Settlement of insolvency	Timeliness, costs, outcomes and recovery rates in insolvency cases and the strength of the legislation in this area	Recovery rate (US cents)	30
		Time (years)	3
		Index of the strength of the legal framework for insolvency (0-160)	9

Source: Doing Business

Within WAEMU, Senegal is the 3rd reformer, after Côte d'Ivoire which is in 122nd place, with 5 reforms accomplished in 2019, and Togo which is in 137th place, with 6 reforms.

Senegal has facilitated the registration of property, reducing the time required to transfer and register it. It has facilitated the enforcement of contracts by adopting a law regulating all aspects of mediation as an alternative dispute resolution mechanism. Senegal is also among the countries that have made efforts in administrative procedures and expanded the alternative dispute resolution framework for commercial disputes, including the establishment of a commercial court. As for obtaining electricity, it takes an average of 75 days for a permanent connection to the grid in Senegal and 86 days in the rest of the world.

This great improvement in the ease of doing business in Senegal is the result of four (4) key reforms. These are the e-tax, i.e. the dematerialization of tax payment procedures and declarations, the reform of the contribution of the local economy, the reform of

the Commercial Court and the reform of the protection of investors.

It should be noted that with the good performance of recent years, Senegal has the best copy of the sub-region according to the Doing Business 2020 Report.

For the Corruption Perceptions Index 2020, Senegal maintains its score of 45/100, which is below average. Senegal has stopped making progress since 2016. Senegal's stagnation is due to a real weakening of the political will to fight corruption, but also to a situation of poor governance, as evidenced by a disturbing increase in impunity.

Senegal has improved its ranking in the Mo Ibrahim Index by moving up three places. It is ranked 9th out of 54 African countries. Senegal gained 3 points in the "security and rule of law" category, ranking 7th with an average of 68.2%. In the "participation and rights and inclusion" category, Senegal ranked 10th with an average of 64.3%.

## 6.2 Financial Governance

The current crisis is changing the consumption and production patterns of countries. Senegal will also have to modify its production structure and accelerate the structural transformation process already initiated in Phase I of the PES. Thus, the second Priority Action Plan (PAP II) of the PES will be adjusted in the coming months to strengthen local production, the resilience of the economy, reduce its fragilities and vulnerabilities and ensure the protection of the population in the face of such crises.

The revised PAP II will focus on:

- Sustainable industrialization that will limit dependence on the outside world by developing promising sectors (agri-food, pharmaceutical industries, etc.) and the massive creation of jobs;

- The development of food-producing agriculture to guarantee food self-sufficiency;
- Strengthening social protection;
- Greater capacity for private sector intervention in
- The economy.
- The new PAP will be based on projects that will help achieve the development objectives initially set in Phase II of the PES.

Pillar I: Achieving high and inclusive private sector-led growth

- The Government's ambition is to promote strong and inclusive growth, which will generate em-

ployment and income and thus promote inclusive development.

- ii. The revision of the Public Private Partnership (PPP) law of 2014 will accelerate the rapid implementation of quality PPP projects
- iii. The private sector development strategy is being developed
- iv. The "Compact with Africa" initiative is an opportunity to accelerate the implementation of business environment reforms in Senegal
- v. The crisis represents an opportunity to expand social nets.
- vi. The government intends to accelerate the strengthening of the coordination of entities and programs whose mission is to support SMEs.
- vii. The government is closely monitoring the risks to financial stability posed by the pandemic.
- viii. In this same perspective, the State attaches great importance to the smooth running of the financial sector, and in particular to the harmonious pursuit of financial intermediation and the monitoring of the impact of public sector commitments on the financial situation of credit institutions.

## **Pillar II: Consolidating macroeconomic stability through prudent fiscal policy**

- i. The government has announced a response plan to deal with the crisis caused by COVID-19.

- ii. Fully accounting for the impact of the pandemic on revenue collection and additional spending requirements brings the projected budget deficit for 2020 to 6.1% of GDP.
- iii. The government is participating in the G-20 debt suspension initiative and will receive debt service relief in 2020.
- iv. The government has finalized its medium-term revenue strategy (MTRS), which aims to achieve a non-resource tax to non-resource GDP ratio of 20 percent by 2023.
- v. Medium-term reforms, related to public financial management, will continue as the emergencies related to the pandemic subside.
- vi. Senegal's debt remains sustainable with a moderate risk of debt distress, but with little room to absorb new shocks in the near term.
- vii. The government also intends to implement a comprehensive debt management strategy

## **Pillar III: Ensure sustainable and transparent management of the oil sector**

- i. Investment opportunities in the oil sector will be analyzed in light of the international outlook for hydrocarbon markets.
- ii. The Government is continuing to prepare the governance framework for future hydrocarbon revenues.

## **6.3 Financial rating**

Standard & Poor's rating for Senegal is B+ with a stable outlook. Moody's last rating (August 2020) for Senegal was Ba3 with a negative outlook. In general, credit ratings are used by sovereign wealth funds, pension funds, and other investors to assess Senegal's creditworthiness, which has a significant impact on the country's borrowing costs.

On June 12, 2020, following Senegal's joining the Bilateral Debt Suspension Initiative (BDSI), Moody's placed the country's rating "under review for downgrade." This is not a downgrade, but a change in outlook. According to Moody's, in line with its rating approach, the review period will provide an

opportunity to understand the significance of the statement in the SSSI term sheet that private sector creditors will be required to participate in the initiative on comparable terms.

The review will determine whether Senegal's participation in this initiative will be effectively implemented without private sector participation, in which case the rating will likely be confirmed at the current level. The government of Senegal has formally stated that it will not participate in the private ISSD. In August 2020, the agency placed Senegal's rating on negative outlook due to rising debt ratios.

**Table 37. Senegal's sovereign rating**

Date	Agency	Rating	Perspective
August 07, 2020	Moody's	Ba3	negative
June 12, 2020	Moody's	Ba3	under review for degradation



<b>December 06, 2019</b>	S&P	B+	stable
<b>June 15, 2018</b>	S&P	B+	positive
<b>April 13, 2017</b>	Moody's	Ba3	stable
<b>November 07, 2014</b>	Moody's	B1	positive
<b>July 05, 2013</b>	S&P	B+	stable
<b>March 09, 2011</b>	Moody's	B1	stable
<b>May 27, 2010</b>	S&P	B+	negative
<b>May 26, 2009</b>	S&P	B+	stable
<b>July 27, 2006</b>	S&P	B+	negative
<b>December 18, 2000</b>	S&P	B+	stable

Source: Trading economics

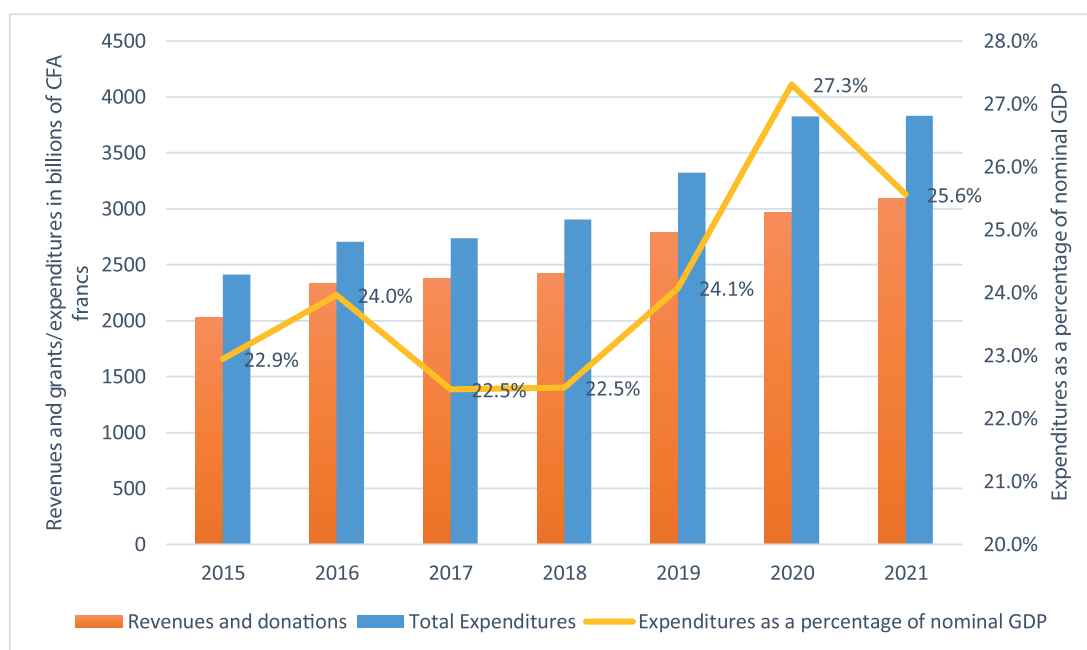
## 7.1 Budget

### 7.1.1 Expenditures and revenues

Although Senegal's resources (revenues and grants) have increased from CFAF 2,026.1 billion in 2015 to CFAF 2,965.0 billion in 2020, they are not sufficient to cover all expenditures. As a result, the primary budget balance remains in deficit. This deficit, which was CFAF 225.6 billion in 2015, has increased to CFAF 553 billion in 2020 due to the COVID-19 health

crisis. Projections predict that it will reach 416.9 billion CFA FRANCS in 2021. Expenditures as a percentage of GDP follow a relatively stable trend, with the ratio ranging from 22.9% to 24.1% between 2015 and 2019. In 2020, the ratio increased by 13.27% due to expenditures related to the response plan put in place by the government to deal with the health crisis.

**Figure 8 - Expenditures and revenues/grants in Senegal**



Source: DPEE

### 7.1.2 Detailed presentation of expenses and revenues

The increase in State resources between 2015 and 2019 is explained by a good collection of tax revenues, which increased by CFAF 812.9 billion. Total State resources increased from CFAF 2,425.5 billion to CFAF 2,789.1 billion between 2018 and 2019. In 2020, tax revenues are estimated at CFAF 2,355 billion. This downward trend is linked to the context of the health crisis with the containment measures put in place by the government. According to the DPEE, budgetary revenues are expected to fall by 2.13% in 2020. This is broken down into tax revenues of CFAF 2,355 billion and non-tax revenues of CFAF 155 billion. This underperformance in tax revenue is attri-

butable to the decline in direct and indirect taxes. In 2021, they are projected at CFAF 2,758 billion.

With regard to public expenditure, its variation is cyclical over the 2015-2019 period. This evolution was reflected in successive increases of 292.4 billion CFA FRANCS between 2015 and 2016, 34.9 billion CFA FRANCS between 2016 and 2017, 164.1 billion CFA FRANCS between 2017 and 2018. Between 2018 and 2019, the increase reached 423.3 billion CFA FRANCS. The strong increase observed in 2019 can be explained by the State's efforts to strengthen growth-generating public investments and to meet the needs of the energy sector. Between 2019 and 2020, spending is expected to increase by CFAF 498.9 billion due to spending related to the health

crisis. In 2021, a slight increase of 8.19% is expected according to DPEE estimates.

Overall, the primary budget deficit fell from CFAF 226.6 billion in 2015 to CFAF 552.9 billion in 2020. The 2019 budget situation is partly linked to the subsidy allocated to SENELEC in connection with the regularization of the electricity sector. The 2020 bud-

get is linked to urgent needs due to the COVID-19 crisis. The State of Senegal has let the deficit slip because of emergency spending to combat the pandemic. The WAEMU commission decided to temporarily suspend the application of the multilateral surveillance budget rules as in the euro zone.

**Table 38. Table of financial operations of the State**

Senegal	2015 Real.	2016 Real.	2017 Real.	2018	2019 Real.	2020 Revised	Initial Financial Act
In billions OF CFAF							
Revenues and grants	2026.1	2334.6	2376.6	2425.5	2789.1	2965.0	3090.0
Total revenues	1794.1	2090.3	2112.1	2169	2564.5	2510.0	2758.0
Tax revenues	1597.1	1791.2	1844.9	1990.4	2410	2355.0	2564.5
Direct taxes	487.2	559.9	591.6	647.9	759.6	717.3	788.5
Indirect taxes	1109.9	1228.7	1253.3	1342.5	1650.4	1637.7	1776.0
Non-tax revenues	197	124.1	127.5	178.6	154.5	123.2	133.5
Exceptional revenues	-	-	-	-	-	31.8	60.0
Grants	232	244.4	264.5	256.4	224.6	455.0	332.0
Budgetary	31.2	38	49.4	19.5	16.7	195.0	64.0
In capital	200.8	206.4	215.1	236.9	207.9	260.0	268.0
Total Expenditures	2411.5	2703.9	2738.8	2902.9	3326.2	3807.0	3832.8
Current Expenses	1504.3	1612.8	1661.8	1870.7	2165.9	2379.2	2237.8
Wages and compensation	526.1	572.3	600	682	733.3	817.7	904.9
Transfers and other	434.2	531.3	502.4	620	880.4	958.7	530.5
Supplies and other	384.3	321.6	325.5	305.5	281.1	313.7	476.5
Interest due	159.7	187.7	233.9	263.2	271.2	289.1	325.9
On external debt	126.1	139.9	178.3	210.3	232.9	218.6	247.9
On domestic debt	33.6	47.8	55.6	52.8	38.3	70.5	78.0
Capital Expenditures	907.2	1091.1	1077.1	1032.3	1160.2	1427.8	1595.0
On domestic resources	502.1	654.6	620.5	514.6	560.5	741.8	751.0
From external resources	405.1	436.5	456.6	517.7	599.8	686.0	844.0
Net loans	0		0	0	0	0	0
Primary balance	-225.6	-181.6	-128.3	-214.3	-265.9	-552.9	-416.9

Source: DPEE

### 7.1.3 Budget overview

Expenditures in the Senegalese government budget are mainly allocated to ordinary expenditures, averaging 64.20% for the years 2019 and 2020, and to capital expenditures for 35.8% over the same period. The decrease in recurrent expenditure is attributable

to the moratoria granted by the G20 and the Paris Club under the Debt Service Suspension Initiative (DSSI) from which Senegal has benefited.

**Table 39. Major Budget Items**

In billions OF CFAF	Amended Finance Act 2019		Amended Finance Act 2020		Initial Finance Act 2021	
	Amount	%	Amount	%	Amount	%
<b>Ordinary expenses</b>	<b>2646</b>	<b>66.9</b>	<b>2388.3</b>	<b>61.5</b>	<b>2238.9</b>	<b>58.4</b>
Public debt	863.2	21.8	306.9	7.9	327.0	8.5
Salaries and wages	744.1	18.8	817.7	21.1	904.9	23.6
Other current expenses	1038.7	26.3	1263.7	32.6	1007.0	26.3
<b>Capital Expenditures</b>	<b>1310.8</b>	<b>33.1</b>	<b>1492.9</b>	<b>38.5</b>	<b>1595.0</b>	<b>41.6</b>
From internal resources	670	16.9	806.3	20.8	751.0	19.6
From external resources	640.9	16.2	686.6	17.7	844.0	22.0
<b>General budget expenses</b>	<b>3956.8</b>	<b>100</b>	<b>3881.2</b>	<b>100.0</b>	<b>3833.9</b>	<b>100.0</b>

Source: Finance Acts

#### 7.1.4 Detailed presentation of the budget by item of expenditure

Senegal's budget in 2020 is largely driven by education, land infrastructure, the military, health and

social action. It is fairly stable over the period. Year-to-year variations are small. The budget for industry has grown strongly because of the merger with the Ministry of Oil.

**Table 40. Excerpt from the 2018, 2019 and 2020 Budget Acts**

Senegal	Amended Finance Act 2018		Amended Finance Act 2019		Initial Finance Act 2020	
In billions OF CFAF	Value	Structure	Value	Structure	Value	Structure
<b>Education</b>	670	36%	726	38%	738	30%
<b>Health and social action</b>	167	9%	170	9%	222	9%
<b>Housing</b>	46	3%	61	3%	81	3%
<b>Agriculture</b>	199	11%	211	11%	141	6%
<b>Fishing and maritime economy</b>	41	2%	39	2%	39	2%
<b>Energy</b>	113	6%	297	16%	225	9%
<b>Tourism</b>	11	1%	16	1%	19	1%
<b>Industry</b>	6	0%	6	0%	225	9%
<b>Employment</b>	10	1%	1	0%	61	2%
<b>Land transport infra-structures</b>	210	11%	1,4	0%	313	13%
<b>Interior</b>	127	7%	116	6%	124	5%
<b>Justice</b>	42	2%	42	2%	43	2%
<b>Army</b>	214	12%	208	11%	250	10%
<b>Trade</b>	5	0%	9	0%	10	0%
<b>Total</b>	<b>1861</b>	<b>100%</b>	<b>1903,4</b>	<b>100%</b>	<b>2491</b>	<b>100%</b>

Source: Amended Finance Act (2018 and 2020) and 2nd Amended Finance Act (2019) Aggregate National Education, Higher Education and Research and Vocational Training for 2018 and 2019. In 2020, the Ministry of Professional Training was merged with the Ministry of Employment.

## 7.2 Tax policies

### 7.2.1 General budget revenues broken down by source

Tax revenues are increasing from 2015 to 2019. They increased from 1597.1 billion CFAF in 2015 to 2410.0

billion CFAF in 2019. According to revised budget data in August 2020, revenues would have declined to CFAF 2355 billion in 2020. The increases between 2015 and 2019 are explained by taxes on goods and services, income taxes, profits, capital gains and

taxes on foreign trade. In 2020, the decline is related to government containment measures. Between 2015 and 2019, revenues from these three tax headings averaged 95 percent of total tax revenues.

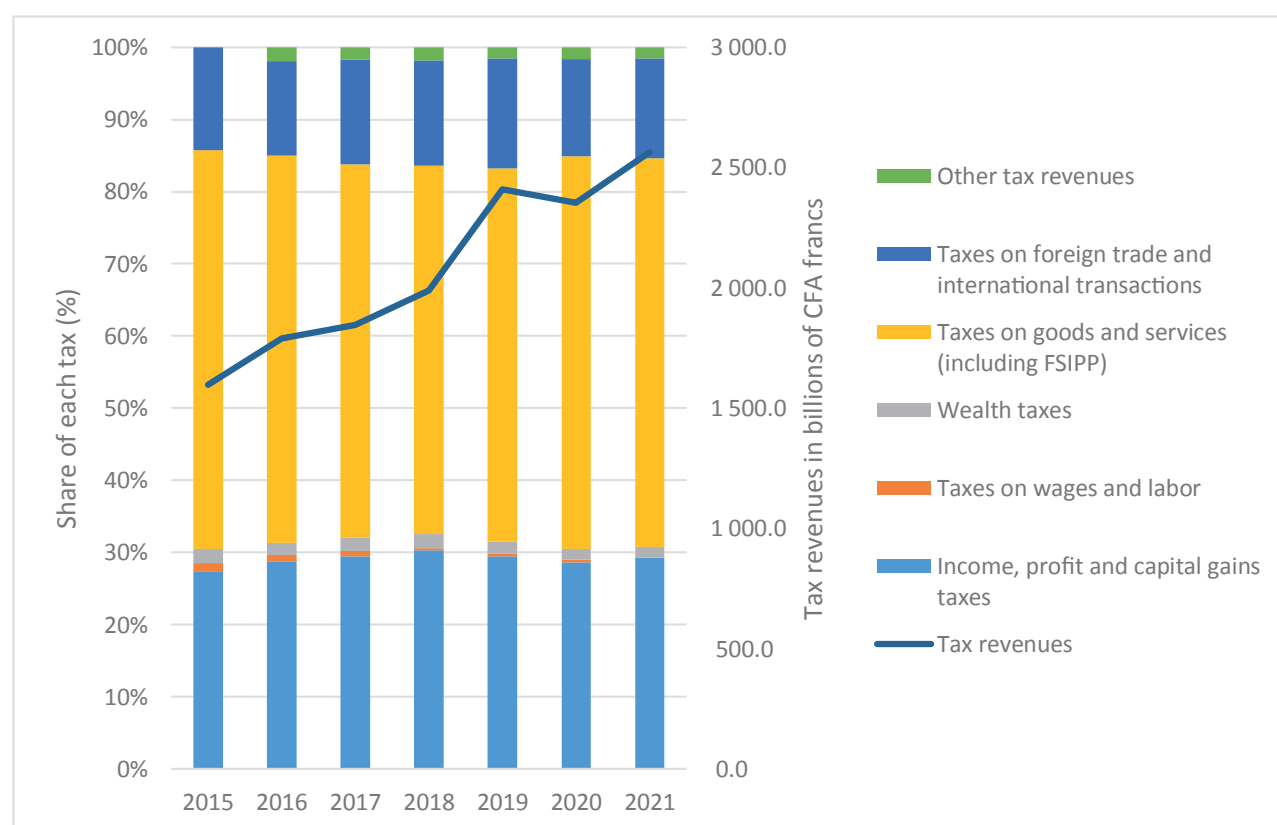
Taxes on goods and services accounted for an average of 52% of tax revenue followed by income, profit, and capital gains taxes.

**Table 41. Detailed presentation of tax revenues**

(In billions OF CFAF)	2015	2016	2017	2018	2019	2020*	2021**
<b>Tax revenues</b>	<b>1 597.1</b>	<b>1 788.6</b>	<b>1 845</b>	<b>1 990.4</b>	<b>2 410.0</b>	<b>2 355.0</b>	<b>2 564.5</b>
Income, profit and capital gains taxes	435.4	512.9	544	603.3	710.6	674.1	751.1
Taxes on wages and labor	20.3	17.3	14	5.3	9.0	7.8	0.0
Heritage taxes	31.4	29.6	34	39.3	40.0	35.5	37.4
Taxes on goods and services (including FSIPP)	882.4	959.8	955	1 016.2	1 247.2	1 282.3	1 381.7
Taxes on foreign trade and international transactions	227.6	234.5	266	290.3	365.5	316.4	354.6
Other tax revenues	-	34.4	32	36.0	37.7	39.0	39.7

Source: DPEE \*August revision, \*\* Amended Finance Act

**Figure 9. General Budget Revenues by Source**



Source: Finance laws

### 7.2.2 Government revenues such as health, unemployment and pension

Overview of the new tax measures recently voted or under discussion and about to be voted

In 2018, the State of Senegal introduced three new taxes: the special contribution of the telecommunications sector (CST), the levy on insurance compa-

nies, and the levy on the consignment operations of oil products for bunkering ships with hydrocarbons.

According to the Amended Finance Act 2 (LFR2) 2019, the CST is payable by any operator of telecommunications networks open to the public licensed in Senegal. It is set at 4.5% of the operator's turnover excluding tax, net of interconnection charges paid



to other operators of public telecommunications networks.

The levy on insurance companies is set at 1% and is applied to turnover excluding tax. The payment is

made quarterly on the quarterly amount of the base. For the last tax, the levy is set at CFAF 10 per kilogram of net exported hydrocarbons.

### 7.3 Finance Act

In 2020, Senegal changed the rules governing the preparation of budgets. From now on, the Finance Act will be drawn up according to the logic of the program budget, which will highlight the resources needed to carry out the activities of the various State bodies and the justification for the distribution of allocations in relation to the defined objectives. The move to program budgeting should lead to greater transparency in the presentation of budgetary information.

In the 2020 LFI, overall resources are programmed at CFAF 3,225.9 billion, compared with CFAF 3,258.5 billion for the 2019 Amending Finance Act (LFI), a decrease of CFAF 32.6 billion in absolute value and 1.0% in relative value. These resources are made up mainly of those of the general budget, projected at CFAF 3090.0 billion, and resources from the Treasury's special accounts at CFAF 136.0 billion. The increase in resources is driven by those of the general budget; the latter are made up of internal and external resources, estimated at CFAF 2,758.0 billion and CFAF 332.0 billion respectively.

**Table 42. Balancing Framework for the 2021 Budget Proposal**

DESCRIPTION	AMOUNT	DESCRIPTION	AMOUNT
<b>GENERAL BUDGET</b>			
<b>Budgetary revenues (I)</b>	<b>3090.0</b>	<b>Budgetary expenditures (II)</b>	<b>3832.8</b>
<b>Tax revenues</b>	<b>2564.5</b>	<b>Ordinary expenses</b>	<b>2237.8</b>
<b>Non-tax revenues</b>	<b>133.5</b>	Financial expenses of the public debt	325.9
<b>Exceptional revenues</b>	<b>60.0</b>	Staff	904.9
<b>Grants</b>	<b>332.0</b>	Acquisition of goods and services	347.7
Budgetary grants	64.0	Current transfers	659.3
Project grants	268.0	<b>Capital expenditures</b>	<b>1595.0</b>
		From Treasury funding	751.0
		On external financing	844.0
<b>Central Government Budget Balance (I-II)</b>	<b>-742.8</b>		
<b>SPECIAL TREASURY ACCOUNTS (STA)</b>			
Revenue from Trust Accounts	136.0	Expenditures from Trust Accounts	136.0
<b>Total revenue from Special Treasury Accounts (III)</b>	<b>136.0</b>	<b>Total expenditure on Special Treasury Accounts (IV)</b>	<b>136.0</b>
<b>TOTAL REVENUE FINANCE ACT (I+III)</b>	<b>3225.9</b>	<b>TOTAL EXPENDITURES FINANCE ACT (II+IV)</b>	<b>3968.8</b>
<b>OVERALL BUDGET BALANCE</b>	<b>-742.8</b>		

Source: 2021 Finance Act

Internal resources in the 2021 Finance Act are programmed to fall by 2.5%, from CFAF 2,829.0 billion to CFAF 2,758.0 billion between the initial 2020 and 2021 budget bills. They are essentially made up of tax revenues for CFAF 2,564.5 billion, non-tax revenues for CFAF 133.5 billion and exceptional revenues for CFAF 60.0 billion. External resources are made up of budgetary grants amounting to CFAF 64.0 billion and investment grants amounting to CFAF 268.0 billion.

Overall, the tax burden is expected to rise to 17.1% of GDP in 2021 from 16.8% in 2020, an increase of 0.3 percentage points above the target set in the 2020 Finance Act. This situation takes into account the expected impact of tax measures that will be implemented by the tax authorities to boost revenues, including the effective reduction of tax exemptions, particularly those with no proven social impact. Overall, achieving the objectives will require a sustained expansion of the tax base in line with the revision of the GDP base.

Borrowing is programmed at CFAF 5133.2 billion in 2021, compared with CFAF 966.5 billion in the 2020 Finance Act. As for external resources allocated to investment, they are programmed at CFAF 844.0 billion in 2021, i.e., an increase of 10.8% compared to the 2020 Finance Act.

General budget expenditure is forecast at CFAF 3832.8 billion for the year 2021, an increase of 7.3% compared to the 2020 Finance Act. It is essentially made up of current expenditure amounting to CFAF 2238.9 billion, capital expenditure estimated at CFAF 1595.0 billion and expenditure on special accounts amounting to CFAF 136.0 billion.

Current expenditure is programmed at CFAF 2237.8 billion in 2021, compared with CFAF 2129.9 billion in the 2020 Finance Act. It is made up of personnel expenditure of CFAF 904.9 billion and interest on the public debt of CFAF 325.9 billion. Other current expenditures are projected at CFAF 1007.0 billion.

Investment expenditure in the 2021 Finance Act is programmed at CFAF 1595.0 billion, compared with CFAF 1443.1 billion forecast in the 2020 Finance Act, driven by investments financed from external resources. Indeed, the latter are projected at CFAF 844.0 billion, in 2021 compared with a forecast of CFAF 761.6 billion in the 2020 Finance Act, i.e. a growth of 10.8%, driven in particular by project loans. This trend is aimed at consolidating in the short term the support of external partners in the implementation of development programs.

Investment expenditures from domestic resources are forecast at CFAF 751.0 billion, up from CFAF 681.5 billion in the 2020 budget.

However, the 2021 budget lowers overall resources to CFAF 3,225.9 billion for total expenditures estimated at CFAF 3968.8 billion.

Certain intrinsic characteristics contribute to Senegal's political and social stability. First, religious leaders (marabouts) have considerable influence over their communities (brotherhoods). This has two profound implications for Senegal's political environment in two ways:

- i. The collegial culture of the brotherhoods underpins the culture of consensual decision-making that extends to all aspects of political and social life in Senegal;
- ii. Marabouts are fundamentally conservative and tend to support the government in power, which contributes to political stability.

Second, the absence of the ethnic and religious tensions that plague many African countries contributes to the country's political stability. About 95 percent of Senegalese are Muslims and practice a particularly moderate form of Islam, influenced by Sufism.

In this context, Senegal is relatively stable, despite the existence of a conflict in Casamance, the level of violence of which has dropped considerably, and the risk of terrorist threats, in addition to internal security challenges (low standard of living, high unemployment, high demographic explosion and increased migration of young people to the countries of the North etc.

### 8.1 Homeland Security Risks

Internal security is one of the key sectors of the PAP within the framework of the PES. In this regard, the Senegalese police have developed several strategies for permanent surveillance and large-scale security. Two security systems are in place, codenamed "Karangué 2" and "Sentinelle". Islamist terrorist groups remain a non-negligible threat of destabilization and attacks perpetrated in Mali, Mauritania

and Burkina Faso in recent years have led France and the United States to recommend increased vigilance to their nationals in Senegal. The year 2019 was the deadliest according to figures announced by the United Nations Office for West Africa and the Sahel (UNOWAS). Nearly 4,000 civilian and military deaths have occurred in terrorist attacks in Sahelian countries.

### 8.2 Social risks

Socially, the country experiences recurrent strikes or demonstrations. In March 2021, the country experienced intense demonstrations: following the arrest of a political leader, several localities in the capital and in the interior of the country experienced scenes of urban guerrilla warfare between the police forces and thousands of young people demanding the release of the main opponent of the government. The arrest of the main opponent released an exasperation that had built up in the face of harsh living conditions accentuated by the Covid-19 pandemic and its many restrictions. People were killed in the riots, the government promised to use "all necessary means to restore order".

In education, demonstrations are recurrent. Students usually demand payment of scholarships on time, blocking the main avenue in front of the university by burning tires. These demonstrations are suppressed by the police with tear gas.

Teachers strike every year to demand that agreements signed with the State be respected. The resurgence of these strikes has a considerable impact on the school and university year's timetable.

However, it should be noted that peaceful demonstration is a public freedom that is guaranteed by the constitution.

### 8.3 Macroeconomic risks

The world is facing an exceptional health crisis that will impact the country's economy. Containment measures, which are shutting down activity in various sectors, will weigh on the GDP in the coming months. Although the pandemic has spread relatively little in Senegal, it has had a significant economic impact in the first half of 2020. The government adopted aggressive fiscal and monetary measures that helped strengthen the health system and cushion the economic shock, but increased the projected fiscal deficit for 2020 from 3 to about 6½ percent of GDP, according to the IMF. Learning from the crisis, the authorities have revised their economic development plan for 2021-2320 to build a more resilient and inclusive economy, including by improving the social safety net.

In line with regional agreements, the authorities are committed to returning to the WAEMU deficit ceiling of 3 percent of GDP by 2023, which would help contain debt-related vulnerabilities. The risk of debt

distress remains moderate but with limited scope for absorbing shocks in the short term.

#### 8.3.1 Demand perspectives of the main international partners

Senegal has a number of regional trading partners on which its economy relies heavily. In 2019, according to the ANSD, Senegal's foreign sales were mainly directed to the European (34.1 percent), African (32.1 percent), and Asian (24.2 percent) continents. The Covid-19 pandemic, as well as the political instability and social unrest that are common in the West African region, could reduce demand from these partners.

The tourism sector is one of the five key sectors in the PES that is expected to stimulate medium- and long-term growth. However, there are a number of challenges facing tourism in Senegal, including improving service quality, promoting Senegal as a destination, and coastal erosion.

In addition, tourism is the sector most impacted by the coronavirus. The sector is highly vulnerable to external, regional, and national risks, including the economic downturn in tourist source countries, negative perceptions of security associated with political instability in the Casamance region, potential terrorist attacks targeting tourist sites, and escalating regional geopolitical risks.

### 8.3.2 International commodity prices

With the appearance of new minerals (gold, zirconium, titanium), Senegal's exports have changed in recent years. Products such as cotton and phosphate have become less important in foreign sales, while exports are still concentrated on cement, fishery products, horticultural products, petroleum products, chemicals (phosphoric acid), foodstuffs (broths) and groundnut products.

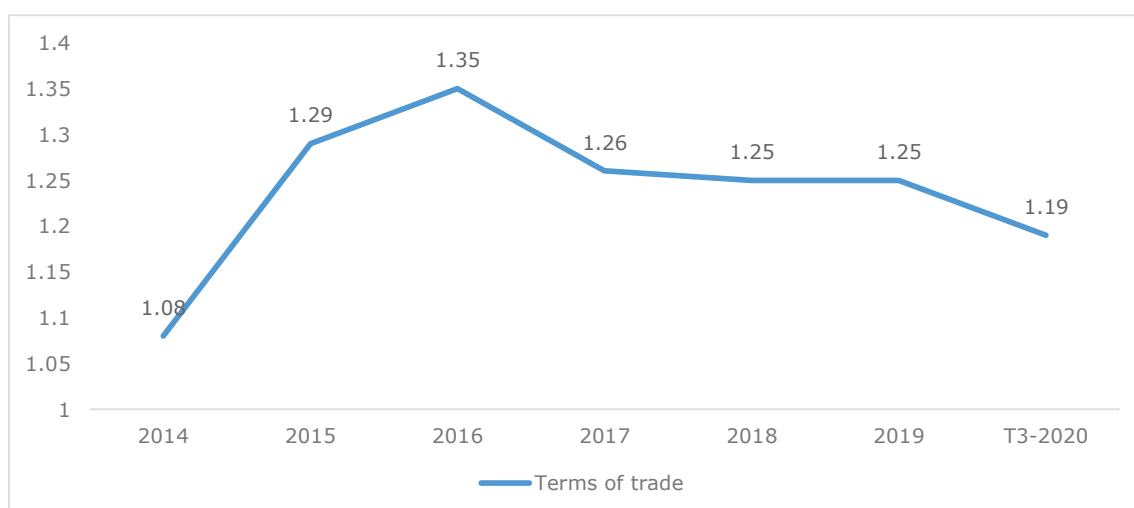
According to the ANSD, Senegal's FOB exports are estimated at CFAF 1,936.4 billion in 2020 compared to CFAF 1,985.0 billion in 2019, a decline of 2.45%.

This decline was due to a drop in shipments of energy and lubricants (-20.0%), animal and vegetable raw materials (-19.6%) and tobacco (-9.8%). On the other hand, the increase in external sales of finished products for industry (+47.9 %) has mitigated this downward trend.

### 8.3.3 Terms of trade

Senegal has a number of trading partners in the WAEMU zone on which its economy relies. Political instability, social unrest, and epidemics are common in the West African region, which, among other effects, could reduce Senegal's exports. For the same reasons, imports from these countries in the sub-region could also decline. According to the ANSD, the terms of trade were 1.19 in the third quarter of 2020. This result follows the good performance of prices for products in the groups "hides, skins, furs and works in these materials" (2.07), "shoes, headgear" (1.33), "mineral products" (1.19) and "plastics and rubber" (1.19).

Figure 10. Terms of trade



Source: ANSD

## 8.4 Risks to resource mobilization

### 8.4.1 Mobilization of fiscal resources

For the achievement of the second phase of the PES objectives, revenue mobilization is a risk that could jeopardize the sustainability of public finances. According to the IMF, the authorities need to develop a comprehensive action plan to increase tax revenue mobilization over the medium term to raise the tax-to-GDP ratio from the current 16 percent to 20 percent (WAEMU convergence criteria).

In this context, it would be important to strengthen tax administration and to implement tax reform that encourages private investment and establishes a set of rules limiting tax exemptions. Prudent management of newly discovered oil and gas fields would also increase revenues in the long term.

### 8.4.2 External donor funding

Senegal has significant exposure to concessional public debt from multilateral institutions and foreign

governments. The country receives grants from donors such as USAID, the World Bank, the European Investment Bank (EIB), the Islamic Development Bank (IDB), the African Development Bank (AfDB) and the Agence Française de Développement (AFD), and international financial assistance plays a crucial role in Senegal's public finances.

The PAP2A Investment Program requires an overall financing of CFAF 14,712 billion over a period of 5 years (2019/2023). According to the financial package presented by the Ministry of the Economy, the private sector will contribute CFAF 4,770 billion and the remaining CFAF 9,942 billion from development partners. Senegal could face economic difficulties if the above amounts are not mobilized. The continuation of this aid is dependent on Senegal's ability to comply with certain donor restrictions and commit-

ments, and if donors become unwilling or unable to continue to provide significant volumes of aid to the country, Senegal could face economic hardship.

#### 8.4.3 External financing through Foreign Direct Investment

Foreign direct investment (FDI), which includes mainly equity, reinvested earnings, and other capital inflows, has yet to improve in Senegal given its political stability.

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2020, Foreign Direct Investment increased from US\$ 403 million in 2014 to US\$ 1500 million in 2020. The total stock reached USD 6.4 billion at the end of 2019.

**Table 43. Foreign Direct Investment (FDI)**

Foreign Direct Investment	2016	2017	2018	2019	2020
FDI inflows (millions USD)	472	588	848	983	1 500
FDI stocks (millions USD)	3 772	4 916	5 515	6 398	n/a
Inward FDI (as % of GFCF)	9.9	n/a	n/a	n/a	n/a
FDI stock (as % of GDP)	25	31.5	23	n/a	n/a

Source: UNCTAD

Senegal was ranked 123rd in the World Bank's latest Doing Business 2020 report, indicating the need for the government to continue its efforts to reform the economic and business environment. Reforms are

needed to improve the business climate and thus attract more FDI flows. The discovery of oil and gas fields holds significant resources and could lead to an influx of FDI in the future.

## 8.5 Health risks

Health risks have implications beyond quality of life, affecting income, productivity, schooling, and ultimately economic growth. Malaria is the most prevalent health problem facing Senegal.

In August 2020, Senegalese health authorities confirmed the appearance of 6 suspected cases of dengue,

of which only (1) one was positive. Like almost every country in the world, Senegal is among the countries affected by the Coronavirus pandemic. As of April 28, 2021, 40,249 cases have been declared positive in Senegal, of which 38,991 have been cured, 1,107 have died and 150 are under treatment.

## 8.6 Environmental risks

The major disaster risks facing Senegal are natural hazards, industrial and technological risks and infrastructural risks.

For several years, floods have been recurrent in the suburbs of the Senegalese capital during the rainy season. In 2012, the floods were catastrophic for the country, causing loss of life, property and material damage, and a significant drop in sources of income.

Public infrastructure, such as schools, health facilities, drinking water supply and electricity networks, were also severely affected, resulting in the suspension of public services for several days.

This disastrous event also marked a turning point in the policy of sustainable flood risk management with the adoption by the government of the Ten-Year



Flood Risk Management Program (PDGI) with a budget of more than 700 billion FCFA (1.4 billion dollars).

Agricultural production in Senegal is highly vulnerable to weather conditions, and in particular to drought and rainfall amounts, which can vary consi-

derably from year to year. This sector contributes significantly to GDP and is an important part of the informal economy. Risks to agricultural production can seriously slow economic growth and increase poverty levels in rural areas.

## 9.1 General description of the public debt<sup>45</sup>

### 9.1.1 General Overview

According to the IMF report published in July 2020 on the program supported by the Economic Policy Coordination Instrument (EPCI), Senegal's debt levels have deteriorated even though the risk of debt distress remains moderate. As of December 31, 2019, the stock of public debt was estimated at CFAF 7,817.7 billion compared to CFAF 5,848.5 billion in 2017. Senegal's total public debt stock is estimated at CFAF 8903.4 billion at the end of 2020, i.e., an increase of 13.9%.

In 2018, Senegal completed an issuance on the USD and EUR Eurobond market for a total amount of USD 2.2 billion at favorable rate conditions, partly attributable to the international context. Part of the funds raised in 2018 was used to buy back previous debt contracted on the Eurobond market.

The joint IMF-World Bank debt sustainability analysis conducted in 2019 shows that Senegal's risk of debt distress has moved from low to moderate. This result was also confirmed by the analysis conducted in April 2020 taking into account the situation related to COVID-19.

The public debt to GDP ratio reached about 47.7 percent at the end of 2017, up from 47.2 percent in 2016. This ratio stood at 57.2% and 62.6% in 2019 and 2020, respectively. The share of external debt to total debt increased significantly from 72.1% in 2015 to 80.6% in 2020. The external debt to GDP ratio increased from 50.5% in 2019 to 50.9% in 2020. As for the domestic debt stock, its weight in relation to GDP increased from 6.7% to 12.2% from 2019 to 2020. The debt service to budget revenue ratio (excluding cash transactions) increased from 27.7 percent in 2019 to 28.2 percent in 2020.

In recent years, Senegal has received a significant increase in financing from the Consultative Group, which has contributed significantly to the 2014-2018 PES. Senegal has been able to mobilize external resources in excess of CFAF 2,000 billion. The trend in fundraising observed a few years ago has begun to reverse since the government implemented the PES.

Domestic public debt, which had been growing rapidly, began to slow down following the change in financing strategy linked to the PSE. In the wake of this, the government of Senegal carried out several issues on the Eurobond market in 2014, 2017 and 2018.

**Table 44. Breakdown of Senegal's public debt**

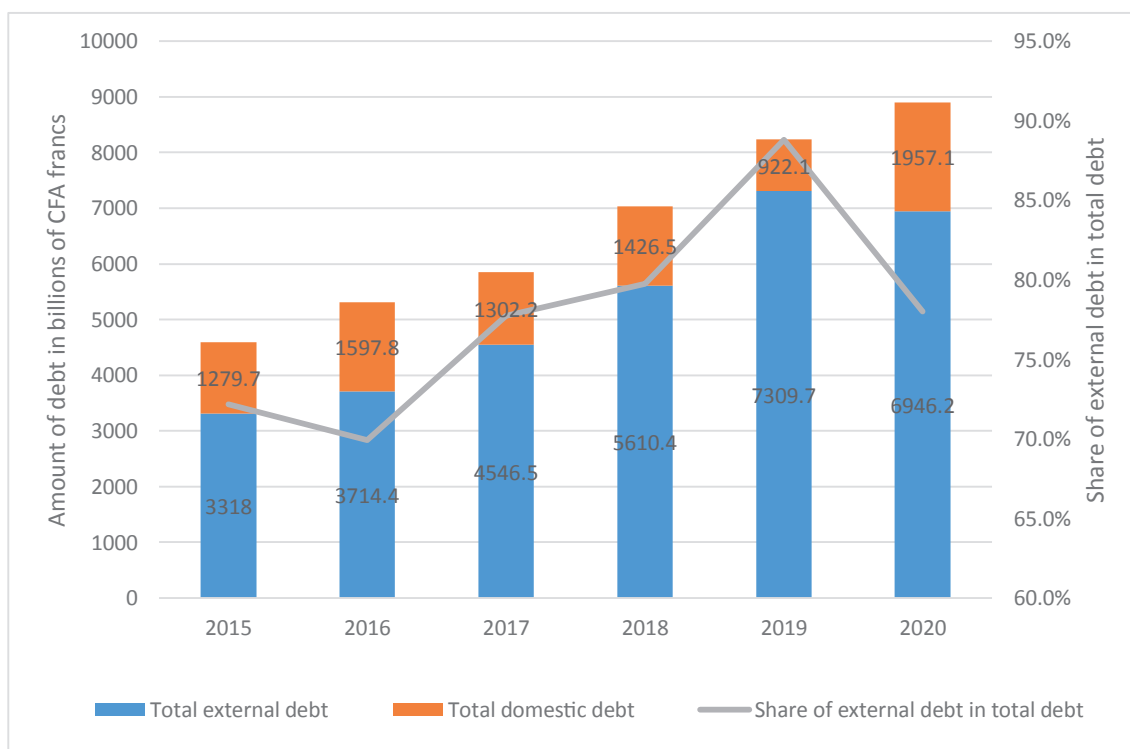
[Senegal]	2015	2016	2017	2018	2019	2020
<b>Total debt (% GDP) *</b>	<b>43.8</b>	<b>47.2</b>	<b>47.7</b>	<b>54.8</b>	<b>57.2</b>	<b>62.6</b>
<b>Total debt (in billions of FCFA)</b>						
Remaining due	4597.7	5312.2	5848.5	7036.4	7817.7	8903.4
Backlog	0.0	0.0	0.0	0.0	0.0	0.0
Due	777.5	799.5	981.3	774.7	863.2	838.2
Paid	777.5	799.5	981.3	774.7	863.2	838.2
<b>Total external debt</b>						
Remaining due	3318.0	3714.4	4546.5	5610.4	6895.6	6946.2
Backlog	0.0	0.0	0.0	0.0	0.0	0.0
Due	195.0	205.8	262.3	379.8	469.4	535.3
Paid	195.0	205.8	262.3	379.8	469.4	535.3
<b>Total domestic debt</b>						
Remaining due	1279.7	1597.8	1302.2	1426.5	922.1	1957.1
Backlog	0.0	0.0	0.0	0.0	0.0	0.0
Due	582.5	593.7	719.0	394.9	393.8	302.9

<sup>45</sup> Debt of the central administration (The scope of the SDMT is limited to the central administration).

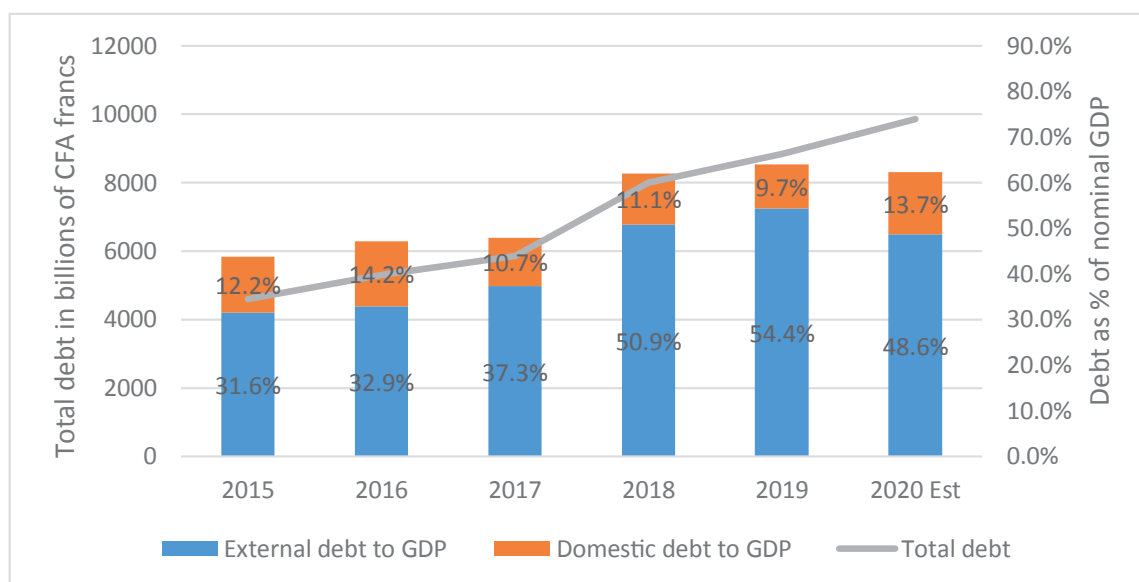
<b>Paid</b>	582.5	593.7	719.0	394.9	393.8	302.9
<b>Nominal GDP (current prices)</b>	<b>10508.7</b>	<b>11283.4</b>	<b>12191.8</b>	<b>12840.2</b>	<b>13655.4</b>	<b>14184.9</b>

Source: DGCPT. \* Central government debt

**Figure 11. Breakdown of public debt between external and domestic debt**



**Figure 12. Breakdown of public debt between external and domestic debt as a % of GDP**



Source: DGCPT

### 9.1.2 Time profile of debt to be repaid

Senegal is in debt in the medium and long term. This situation is explained by the debt strategy used in

recent years. The financing needs of the PES and the reprofiling of the debt have had an impact on the

maturities of the financial resources raised from both domestic and external creditors.

**Table 45. Time Profile of Debt**

Expressed as a %.	Domestic debt (2019)	External debt (2017)
Short term (< 1 year)	6.0	3.6
Medium term (1 to 5 years)	13.7	25.0
Long term (> 5 years)	80.3	71.3
Total	100	100

Source: IMF, Cbonds

**Table 46. Short-term debt to be repaid (2015-2020)**

[Senegal] billions CFA FRANCS	2015	2016	2017	2018	2019	2020 (east)
Amount of external debt to be paid in the year	195.0	205.8	262.3	379.8	469.4	535.3
Amount of domestic debt to be paid in the year	582.5	593.7	719.0	394.9	393.8	302.9
Total	777.5	799.5	981.3	774.7	863.2	838.2

Source: DGCPT

## 9.2 Debt Strategy and Sustainability

### 9.2.1 Description of the strategy

According to WAEMU Regulation No. 9/2007/CM/UEMOA on the reference framework for public debt policy and management in WAEMU countries, States must develop a public debt strategy attached to the finance law. This strategy was reinforced by the Economic Policy Support Instrument (EPSI) signed with the IMF, which was to enable the government to strengthen its capacity to manage public debt. It is within this framework that the Senegalese government periodically prepares the Medium-Term Debt Strategy (SDMT).

Within the framework of the MTDS, the aim is to establish the best possible combination of domestic and external debt (concessional, semi-concessional and non-concessional).

The objectives set out in the SDMT 2021-2023 of the State of Senegal, drawn up in October 2020, are as follows

- Meet funding requirements and Treasury payment obligations;
- Ensure that the risks associated with the public debt portfolio remain within acceptable limits;
- Ensure that financing costs are as low as possible;

- To develop and deepen the domestic market of public securities in Senegal with the support of UMOA-Titres.

This strategy is based on a diversification and matching of funding sources approach. The strategy is based on the following: Covering the State's financing needs with the best cost/risk trade-off, exploring all available financing;

- A prudent debt strategy that favors, within the limits of what is available, concessional resources (mainly to support investments in the areas of education and health, and the strengthening of human capital and social protection), financing in euros to avoid exchange rate risk, and the setting of interest rates to avoid the negative impact of interest rate variability on debt service;
- Directing commercial resources (export credits and mainly Eurobonds) to the financing of projects with proven economic profitability to increase the competitiveness of the economy;
- Strong return to the domestic market to help better manage external debt vulnerabilities;
- In support of private sector financing, increased support will be provided by granting guarantees to strategic projects with proven economic and financial profitability. At this level, the strategy

will consist in limiting the risks of calling on the State guarantee (financial analysis, escrow account mechanisms, etc.);

- v. Diversification of the investor profile (banks, insurers, fund managers, pension funds, etc.) to ensure proper management of the concentration risk that could negatively influence future (re)financing conditions.

The Government of Senegal has set up a National Public Debt Committee (CNDP) which is the management and coordination unit for public debt management entities. The CNDP was created by ministerial order n°5889 dated July 3, 2008. This committee is under the authority of the Minister of Finance. The CNDP is responsible for developing, coordinating and monitoring the implementation of the national policy on public debt and public debt management.

The coordination committee is composed of the Minister of Finance, the Director General of Finance, the Director General of Public Accounting and Treasury, the Director General of Planning, the National Director of the BCEAO, the Director of the DDP, the Director in charge of the budget, the Director of Money and Credit, the State Judicial Agent, the Director of the DPEE and the Director in charge of Economic and Financial Cooperation.

## Donor Relations

### i. MF

The Government of Senegal signed agreements with multilateral and bilateral donors. Since October 2007, the State of Senegal has been part of the ISPE program with the IMF. This is a non-disbursing program designed to help the government implement reforms to improve the effectiveness of economic policies. The first ISPE program was signed in November 2007 and expired in December 2010. This program helped consolidate macroeconomic stability by increasing the country's economic growth potential and reducing poverty.

In December 2010, the IMF approved a second three-year ISPE program. The objective of this program was to encourage and implement reforms aimed at reducing the government's budget deficit, improving transparency, encouraging the private sector and strengthening the banking and financial sector. This program has been extended by one year.

The second ISPE allowed the State of Senegal to (i) limit the amount of non-concessional debt required during the period of the new ISPE; (ii) restrict the use of non-concessional debt to finance the extension of the Diamniado International Blaise Diagne Airport

(AIBD) toll highway to Thies and Mbour; (iii) set up an escrow account for the financing of the toll highway; and (iv) impose audit and reporting requirements.

After the success of the second program, the State of Senegal and the IMF reached a new agreement in June 2015 to launch the third ISPE for the period 2015-2017. This third program has been extended until June 24, 2019. Under ISPE III, the government planned to mobilize a non-concessional loan for an amount set at one billion US dollars in order to finance investment projects in the field of road infrastructure, energy and urban sanitation.

In January 2020, the IMF Executive Board approved a new three-year arrangement under the Policy Coordination Instrument (PCI). The overall objective of the BPCI is to consolidate macroeconomic stability and foster sustained and inclusive growth. The specific objectives of the program are to promote high, sustainable and inclusive growth, consolidate macroeconomic stability through prudent fiscal policy and sound debt management, and ensure transparent management of the oil and gas sector. Periodic reviews of the program will be conducted on a semi-annual basis.

In April 2020, to help the country address the challenges posed by COVID-19, the IMF provided US\$442 million in financing under the Rapid Credit Facility and the Rapid Financing Instrument. The financing is structured as follows: a purchase under the Fast-Track Facility equivalent to SDR 215.7 million (about US\$294.7 million, or 67 percent of quota) and a disbursement under the Fast-Track Facility equivalent to SDR 107.9 million (\$147.4 million, or 33 percent of quota) to help Senegal meet urgent balance of payments financing needs resulting from the COVID-19 pandemic.

On April 29, 2021, the IMF provided financing of CFAF 350 billion to the Government of Senegal for a period of 18 months under the Standby Credit Facility (SCF) and the Standby Arrangement Facility (SAF).

### ii. World Bank Group

As of July 2020, the World Bank's portfolio in Senegal was distributed as follows

- Twenty-two investment projects worth US\$2.2 billion supported by the International Association for Economic Development (IDA);
- Nine regional operations for a total of US\$346.5 million from IDA;



- 164 million in commitments from the International Finance Corporation (IFC);
- US\$309 million in gross commitments from the Multilateral Investment Guarantee Agency (MIGA).

The World Bank supports Senegal in several sectors:

- Stormwater management with the Stormwater Management and Climate Change Adaptation Project, which has protected populated areas at risk of flooding. Approximately 137,500 people have benefited directly (compared to 90,000 initially targeted) and 571 hectares (compared to 343 initially) have been protected;
- Water and sanitation with the Water Sector Project, the Long Term Drinking Water Supply Project and the National Drinking Water and Sanitation Millennium Program, plus the current Urban Water Supply and Sanitation Project;
- Agriculture with the West Africa Agricultural Productivity Program (WAPP), a regional program covering 13 countries, which has produced the following results in Senegal: 423,000 agricultural producers and processors, 38% of whom are women, were able to benefit from the development, dissemination, and adoption of improved agricultural technologies between 2012 and 2015. The WAPP supported agricultural research for climate-smart agriculture, contributing to the development of 14 new high-yielding varieties. The program also upgraded equipment and facilities at the National Specialization Center, provided support for the training of young researchers, and created an online platform to improve the distribution of subsidized inputs.
- Health: The World Bank is supporting the national plan to combat the coronavirus through the following initiatives
  - a. In April 2020, under the COVID-19 Accelerated Assistance Facility, the World Bank granted the Government of Senegal a credit of US\$20 million

from the International Development Association (IDA).

- b. the project to strengthen regional disease surveillance systems (REDISSE) through the purchase of equipment.
- **the project to support investments in maternal, child and adolescent health.**
  - a. Social protection: The social safety net project, currently underway, could be mobilized to strengthen assistance to vulnerable populations during the health crisis. The disbursement amount to assist 560,000 households is estimated at US\$20 million.
  - b. Public Finance: The Board of Executive Directors approved a Development Policy Support Operation of US\$100 million to address urgent liquidity needs.

### iii. African Development Bank Group (AfDB)

As of December 31, 2020, the Bank's active portfolio in Senegal comprised 30 operations with a commitment of about UA 1.6 billion. The public sector portfolio comprises 24 operations amounting to UA 1.41 billion, representing 88 percent of commitments. Private sector commitments are estimated at UA 191.6 million. The agricultural sector portfolio comprises six national projects (for a total of '179 million), one multinational project ('27 million), and one project financed under the private sector window. This portfolio has made it possible to finance major development projects such as the Regional Express Train (TER) for CFAF 120.5 billion.

The sectoral distribution of the national project investment portfolio was as follows: agricultural sector (16.5%), transport (44.3%), governance (13%), water and sanitation (12.3%), social (6.2%), ICT (4.8%), and energy (2.9%). Since 2018, Senegal has become eligible for the AfDB's non-concessional lending window. In 2021, the AfDB has planned to finance several economic development projects in Senegal. The following table summarizes the various projects planned:

**Table 47. Projects planned by the AfDB in 2021**

Project	Projected Credit (UA millions)	Sectors
AIBD-Dakar Railway Project (TER - Phase II)	74.0	Transport
Farim-Tanaf Road Rehabilitation Project	1.5	Transport
Resource Mobilization and Reform Effectiveness Support Program (Budget Support)	55.5	Multisector
Innovative project for access to safe water and sanitation services for sustainable resilience in disadvantaged areas (PISEA-RD)	32	Water

#### iv. Islamic Development Bank (IDB)

The Islamic Development Bank (IsDB) portfolio as of December 31, 2017, was valued at CFAF 532 billion. It was composed of twenty-eight projects and programs to finance Senegal's development. The IsDB is a major donor to Senegal that began accompanying the country in 1976. As part of the Paris Consultative Group in December 2018, the IsDB promised the State of Senegal financing for phase 2 of the PES in the amount of 871 billion CFA FRANCS.

In 2019, the IsDB's portfolio was consolidated with the signing of new loan agreements for development projects. The financing agreements covered the following projects:

- Regional Rice Value Chain Program, amounting to 28.2 million euros ;
- Rural Roads Project-PROBASE, for which the IsDB is providing 17 million euros in financing;
- 60.3 million National Program for the Promotion of Islamic Microfinance in Senegal (PROMISE);
- Grant in the amount of US\$273,000 to support the WAQF High Authority.

The IDB has provided a US\$162 million loan to assist the Government of Senegal in its efforts to combat COVID-19.

As of August 30, 2020, the IsDB Group has implemented 80 development projects in Senegal worth US\$2.6 billion. The Group has completed 143 operations worth US\$1 billion. In total, the portfolio is worth US\$3.6 billion. The IsDB has allocated \$133 million to help the government of Senegal fight the pandemic. This amount is broken down as follows: \$5.52 million to support the Institut Pasteur de Dakar COVID-19 detection and prevention center, \$43.3 million for capacity building of health sector actors, and \$84 million for food aid to vulnerable households.

#### v. Joint G20/Paris Club initiative

On June 10, 2020, Senegal formally announced its participation in the Debt Service Suspension Initiative (DSSI) and sent formal requests to its major bilateral official creditors, as well as to the Paris Club. Senegal's application was approved by representatives of Paris Club creditor countries on July 21, 2020. On October 14, 2020, Paris Club members and the G20 agreed to extend the DSFI for an additional six months, until June 30, 2021, for eligible countries that request it. On April 1, 2021, Senegal will bene-

fit from an extension of the debt service suspension period from January to June 2021. Under the SSDI, the scope of eligible debt is limited to loans from governments or relevant institutions of participating creditor countries concluded before March 24, 2020. The amount of eligible bilateral external debt service under this initiative is potentially CFAF 90.5 billion, or about 13.5 percent of public external debt service in 2020 and CFAF 54.7 billion between January and June 2021. In line with the purpose of the ISSD, Senegal intends to use these additional budgetary resources to increase its health, social and economic expenditures dedicated to the fight against the Covid-19 pandemic and mitigate its impact on its populations.

#### vi. Other donors

Senegal also has financing relationships with other multilateral donors such as the EIB, the International Fund for Agricultural Development (IFAD), the Arab Bank for Economic Development in Africa (BADEA), the Organization of the Petroleum Exporting Countries (OPEC) fund for economic development and the West African Development Bank (BOAD), the Millennium Challenge Corporation (MCC), and the United States Agency for International Development (USAID). In 2019, the Government of Senegal signed a loan agreement with AFD for 100 million euros to finance the TER. In 2020, the PIRIOU financing for a total amount of 234.1 million euros was concluded with Société Générale. The financing of the Olympic Stadium was concluded with Standard Chartered Bank for a total amount of 264.5 million euros.

In 2020, Senegal raised a total of CFAF 1,264.3 billion on the WAEMU subregional market (compared with CFAF 365 billion in 2019), including CFAF 576.84 billion in treasury operations (206.26 billion in 1-month bills, 206.26 billion in 3-month bills, and 164.315 billion in 6-month Treasury bills). Cash operations were mobilized to meet Covid-19-related expenditures. They were matched by the resources expected from donors. The BOAD financed the development of the Louga Ouarack road for CFAF 25 billion in 2020 and the programme to open up agricultural and mining production areas (PDZAM) for CFAF 15 billion.

#### 9.2.2 Debt sustainability according to the World Bank and IMF

The IMF and World Bank have developed a framework to guide borrowing decisions by low-income countries. The framework allows eligible countries to calibrate their financing needs to their current

and future repayment capacity. The objective of debt sustainability analyses is to assess the level of debt needed to address risks. According to the Debt Sustainability Framework (DSF), there are four categories of public debt distress risk:

- i. Low risk: all debt indicators are below benchmark and stress test thresholds;
- ii. Moderate risk: debt indicators are below thresholds in the baseline scenario, but stress tests show that thresholds could be breached

in the event of an exogenous shock or abrupt change in macroeconomic policy;

- iii. High risk: at least one of the thresholds in the baseline scenario has been exceeded, but the country is not yet in debt repayment difficulties;
- iv. Over-indebtedness: the country is having difficulty repaying its debt.

The thresholds for the best performing countries are generally high.

**Table 48: DSF Debt Thresholds and Benchmarks**

	PV of external debt (percentage)		External debt service (percentage)		PV of total public debt (percentage)
	GDP	Exports	Exports	Revenues	GDP
Poor policy	30	140	10	14	35
Average policy	40	180	15	18	55
Sound policy	55	240	21	23	70

Source: IMF, World Bank

### IMF/World Bank Reference Scenario and Financing Plan

According to the Debt Sustainability Analysis (DSA) conducted jointly by the IMF and World Bank staffs with the collaboration of the Senegalese authorities in December 2020, the following underlying assumptions have been retained in the revised DSF:

- i. Real GDP growth. Real GDP growth is projected at -0.7 percent in 2020 (-3 percent in the previous DSA). The Senegalese economy is projected to grow at a rate of over 5.2 percent in the medium term starting in 2021 (5.5 percent in the previous DSA). In the long run, real growth is projected to converge at 5.1 percent over the period 2025-2039 (this scenario remains unchanged from the previous DSA).
- ii. Public sector deficit. The public sector deficit as a percentage of GDP is estimated at 7.4 percent in 2020 compared to 6.8 percent projected in the April 2020 DSF. This budget deficit would be related to the loss of revenues and the implementation of additional expenditures needed to fight the pandemic;
- iii. Current account deficit. The current account deficit is expected to reach 10.9 percent of GDP in

2020 and 10.7 percent in 2021. Although larger than expected before the crisis, this is a smaller deficit than anticipated at the time of the April DSA (11.3 percent and 11.4 percent, respectively). The difference mainly reflects a slight decline in imports due to lower oil prices and more resilient remittances. Exports of goods and services are expected to increase significantly by 2025 (from 21 percent of GDP to 34 percent of GDP), driven by the start of oil and gas exports, which account for 3/4 of the increase.

- iv. iv) The debt service trajectory reflects the re-profiling of SSDI-eligible debt in 2020 (May-December) and 2021 (January-June) to standard terms, with the exception of creditor debt whose participation is still pending. This will result in slightly higher debt service in the medium term.
- v. Senegal's public debt profile has also benefited from favorable exchange rate movements due to the depreciation of the USD against the CFAF/euro parity since the previous DSA (by about 6 percent).
- vi. A more accurate calculation of the present value of debt service resulted in a slightly lower debt service trajectory than the April DSA.

**Table 49. Senegal's performance under the DSF (baseline)**

Year	PV of external debt (percentage)		External debt service (percentage)		PV of total public debt (percentage)	Debt service (percentage)
	GDP	Exports	Exports	Revenues	GDP	Revenues
2019	45.1	286.4	14.6	12.1	56.3	21.7
2020	49.2	234.8	22.1	16.1	59.5	21.3
2021	47.9	214.6	18.2	13.9	60.4	22.5
2022	47.0	194.8	18.1	14.9	60.8	25.1
2023	43.3	132.6	18.4	14.4	57.6	23.1
2030	29.4	89.7	9.7	10.0	49.8	23.7

Source: IMF

An analysis of the impact of COVID-19 on debt sustainability indicates that the risk of debt distress remains moderate. The assessment is unchanged from the April 2020 DSA. The current baseline remains below the thresholds throughout the forecast period, with the exception of a one-time overshoot in the debt service to exports indicator in 2020. However, under the most extreme shock scenarios, three of the four external debt indicators exceed their thresholds for a significant period, indicating potential vulnerabilities under adverse conditions. The public debt-to-GDP ratio is projected to peak at about 68 percent of GDP in 2021-22, before gradually declining over the medium term as oil and gas investments come on stream. This figure is broadly unchanged from the April DSA.

According to the December 2020 IMF report, the DSA involves a mix of financing consistent with a prudent borrowing strategy, aiming to gradually increase the share of domestic debt and seek new external financing on concessional terms wherever possible. COVID-19 expenditures will be financed primarily through grants and highly concessional loans. The authorities have also deferred some lower priority projects to 2020. Domestic borrowing prospects are also supported by measures taken by the BCEAO to improve liquidity in the subregional market. However, the lack of market depth, combined with potentially higher demand from other countries in the region, is a constraint for domestic borrowing.

## 9.3 External debt

### 9.3.1 Holders

Senegal's external debt is mainly composed of multilateral debt, followed by bilateral debt and commercial loans. This situation is explained by the wil-

lingness of donors to contribute significantly to the financing of the PES. Commercial debt reached the level of multilateral debt in 2019 due to issues on the Eurobond market.

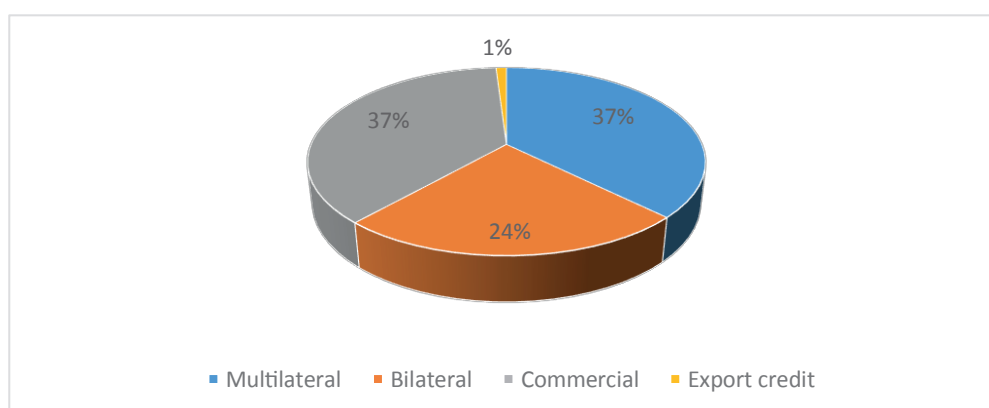
**Table 50: Composition of Senegal's external debt**

TYPES OF DEBT (in billions of CFAF)	Outstanding 2019
<b>MULTILATERAL CREDITS</b>	<b>2539.7</b>
IDA/IBRD	1289.5
IMF	270.1
EIB/FED	46.7
AfDB/ADF	542.9
OPEC/BADEA/IDB	372.8
OTHER	287.8
<b>BILATERAL CREDITS</b>	<b>1644.5</b>
OECD COUNTRIES	432.4
ARAB COUNTRIES	127.1
OTHER	1 085.0

<b>EXPORT CREDITS</b>	<b>170.4</b>
<b>COMMERCIAL DEBT</b>	<b>2 540.9</b>
EUROBOND	2 325.4
CREDIT SUISSE	24.6
SCBANK	125.3
AFREXIMBANK	65.6
<b>TOTAL EXTERNAL PUBLIC DEBT</b>	<b>6 895.6</b>

Source: DGCP

**Figure 13: Breakdown of external debt of excluded public enterprises by donor in 2019**



Source DGCPT

### 9.3.2 Status of external debt payments

External debt service (excluding treasury operations) amounted to CFAF 633.1 billion in 2020. Most of this amount is accounted for by commercial debt.

**Table 51. Projected External Debt Service under 2020 Finance Act**

Status as of December 2020	Multilateral			Bilateral			Commercial			Total		
Billions CFAF	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total
<b>New drawing</b>												
<b>Service Due</b>	108.8	41.2	150.0	101.5	54.5	156.0	183.6	143.5	327.1	393.7	239.4	633.1
Total												
At maturity N-2												
Backlog												
<b>Paid service</b>			150.0			156.0			327.3			633.1

Source: 2020 FINANCE ACT

### 9.3.3 Currency of the debt

Senegal is exposed to foreign exchange risk linked to the US dollar and the Chinese yuan. To address this risk, Senegal has established a hedging strategy for certain loans taken out on the Eurobond market (USD 500 million). Senegal signed a USD/Euro swap contract to hedge its exposure to the US dollar. The operation was carried out in agreement with the International Swaps and Derivatives Association (ISDA).

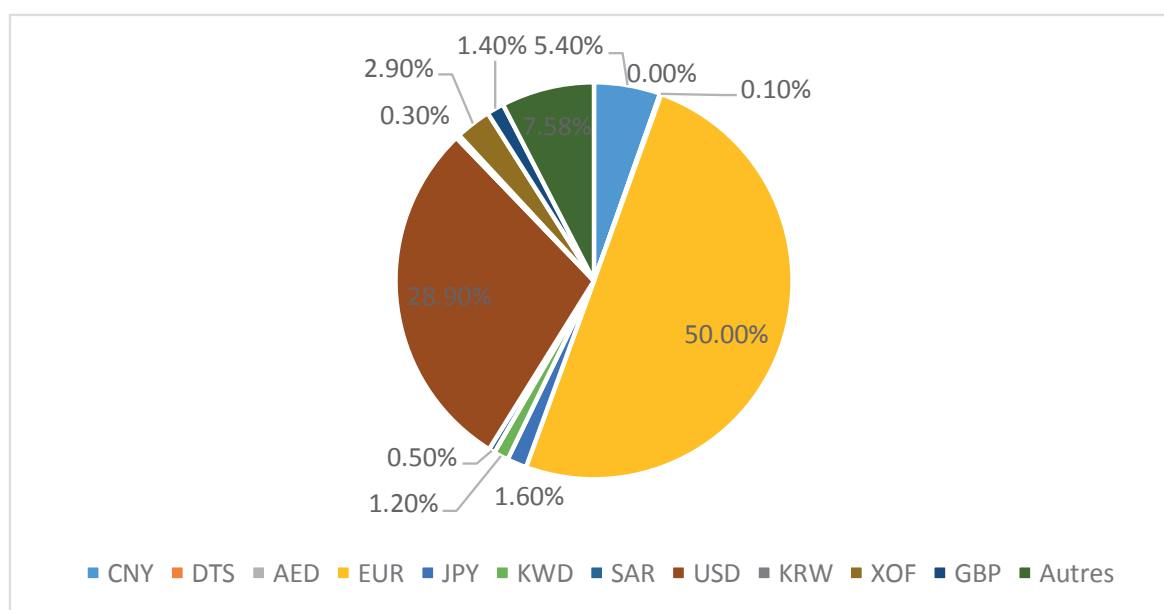


**Table 52. Foreign currency composition of the external debt portfolio**

Currency	Total debt denominated in foreign currency	CFAF exchange rate as of December 31, 2019	Total debt in billions of CFA francs	Exchange rates in EUR as of December 31, 2019	Total debt in EUR billion	Debt distribution by currency
CNY	4.5	83.9	374.7	0.1	0.6	5.4%
DTS	0.0	793.7	0.0	1.2	0.0	0.0%
AED	0.0	159.6	6.2	0.2	0.0	0.1%
EUR	5.3	655.957	3446.9	1.0	5.3	50.0%
JPY	21.8	5.2	113.4	0.0	0.2	1.6%
KWD	0.0	1934.97	85.3	2.9	0.1	1.2%
SAR	0.2	153.6	35.5	0.2	0.1	0.5%
USD	3.4	583.8	1990.5	0.9	3.0	28.9%
KRW	44.9	0.5	22.5	0.0	0.0	0.3%
XOF	202.1	1	202.1	0.0	0.3	2.9%
GBP	0.1	774.02	96.4	1.2	0.1	1.4%
Other	na	na	522.1	na	na	7.58%

Source: DGCPT

**Figure 14: Distribution of debt by currency in 2019**



Source: DGCPT

## 9.4 Domestic debt

### 9.4.1 Presentation of the situation at December 31 2020

In 2020, Senegal raised a total of CFAF 1,264.3 billion on the WAEMU subregional market, including CFAF 576.8 billion in treasury operations (treasury bills). These treasury resources were raised to meet expenses related to the COVID-19 pandemic. Treas-

ury bonds represent an additional source of debt to finance infrastructure. Bonds are issued by auction through the UMOA-Titres or by syndication (public offering on the BRVM).

### 9.4.2 Composition of the domestic debt over the past 5 years

Treasury bond issuance trended upward between 2013 and 2016 before declining in 2017. This was due to the authorities' desire to reprofile the public debt. However, the State of Senegal did not issue any public securities in 2018. Given the very low international interest rates and global liquidity, the

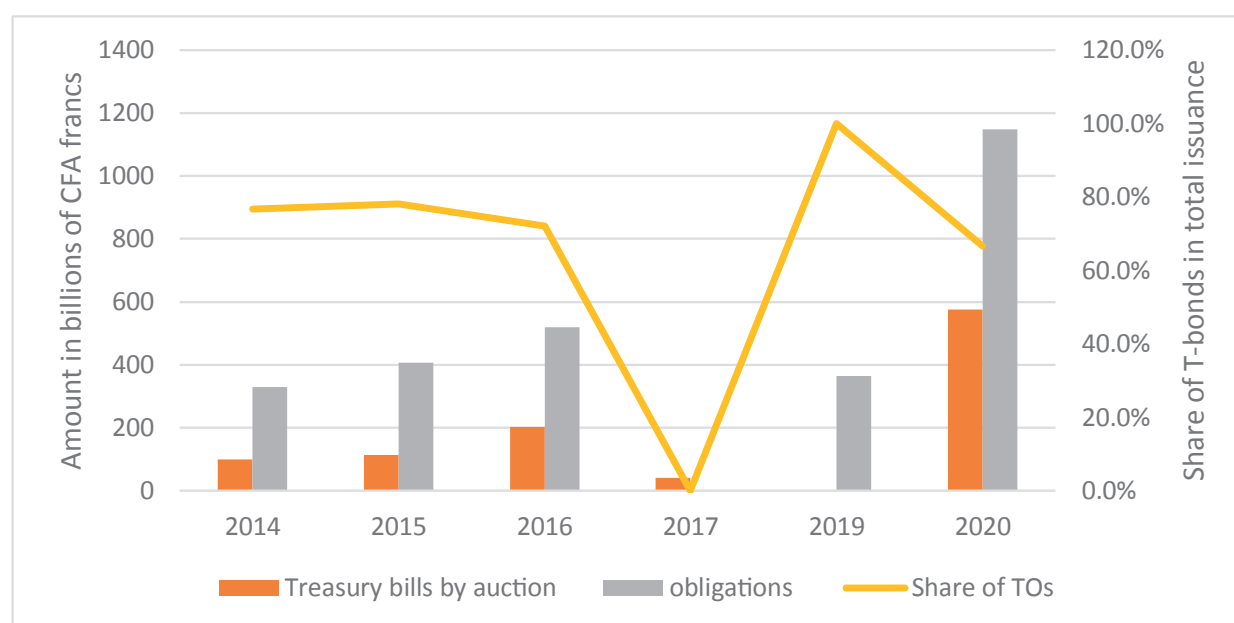
government of Senegal preferred to issue on the Eurobond market. However, the results of the debt sustainability analyses conducted in 2018 prompted the government to return to the regional financial market in 2019.

**Table 53. Distribution of Senegal's domestic debt by creditors**

Status as of December 31, 2020	Domestic debt in value (billions OF CFAF)	Domestic debt as % of total domestic debt	Domestic debt as % of nominal GDP in year 2020
<b>Total domestic debt* (in thousands of dollars)</b>	<b>1957.2</b>	<b>100.0%</b>	<b>13.8%</b>
<b>Securities</b>	<b>1293.8</b>	<b>66.1%</b>	<b>9.1%</b>
Treasury Bill	55.6	2.8%	0.4%
Treasury bonds (T-bonds and Sukuk)	1238.3	63.3%	8.7%
<b>Bank loan</b>	<b>663.4</b>	<b>33.9%</b>	<b>4.7%</b>
BCEAO (IMF and Kuwait Deposit)	274.4	14.0%	1.9%
Other loans	389.0	19.9%	2.7%

Source: DGCPT

**Figure 15. Distribution of domestic debt in Treasury bonds (T-bonds) and Treasury bills (T-bills)**



Source: DGCPT, Agence UMOA-Titres

#### 9.4.3 Status of domestic debt payments

Senegal's domestic debt securities are held by WAE-MU banks, pension funds and insurance companies

in WAEMU countries. Principal amortizations make up the bulk of the debt service paid at the end of December 2020.

**Table 54. Debt Service Due and Paid under 2020 FINANCE ACT**

2020	Banking sector			Non-banking sector			Total		
In billions OF CFAF	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
(1) Debt service due at the end of December 2020	3.6	0	3.6	193	63.0	256.0	196.6	63.0	259.6

(2) Debt service paid in the year 2020	3.6	0	3.6	193	63.0	256.0	196.6	63.0	259.6
--	-----	---	-----	-----	------	-------	-------	------	-------

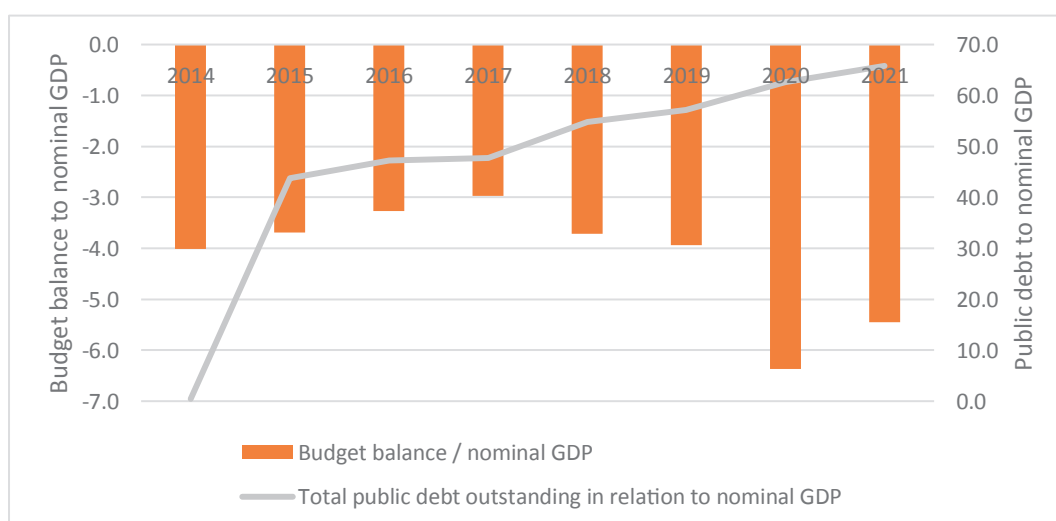
Source: 2020 FINANCE ACT

## 9.5 Viability and Sustainability

The budget deficit as a percentage of GDP deteriorated from 2010 to 2012. Between 2016 and 2018, it converged towards -3% (WAEMU standard). From 2019 onwards, it rises again. The deficits observed in 2020 and 2021 are linked to the health crisis. The debt ratio has been trending upwards throughout the period. This situation is explained by the accumulation of budget deficits after the debt relief linked to the Heavily Indebted Poor Countries and Multilateral Initiatives from which Senegal benefited in 2005 and 2006.

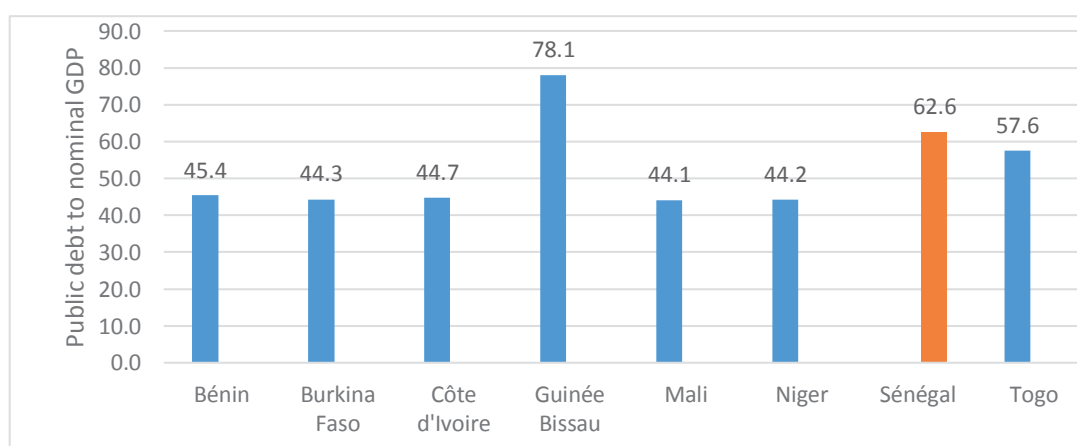
The joint analysis of the budget balance and public debt shows that the government's fiscal position is sustainable. The change in base year has stabilized the public debt and overall budget balance to GDP ratios. A comparison of the debt ratios of the various countries shows that Senegal is above the average for WAEMU countries.

**Figure 16. Budget deficit to GDP and public debt to GDP ratios in Senegal**



Source: IMF, DGCPT

**Figure 17. Public debt to GDP (%) in 2020 for WAEMU countries**



Source: IMF, April 2021

Table 55. Senegal's issuance on the Eurobond market

Date of issue	Amount in millions USD	Rate (%)	Maturity date
2011	500	8.75	2021
2014	500	6.25	2024
2017	500	6.25	2033
2018	1200	4.75	2028
2018	1000	6.75	2048
2021	923	5.375	2037

Source: Bloomberg

Table 56. Details of securities alive at end December 2020.

Description	Identifier	Outstanding amounts (in billions of CFAF)
SN - 5.85% - 3 years - 09.12.22	SN0000001207	128.9
SN - 5.9% - 7 years - March 22. 23	SN0000000936	123.7
SN - 6.15% - 7 years - October 19. 27	SN0000001447	73.8
SN - 6.15% - 7 years - 16.09.26	SN0000001173	55.3
SN -BT - 12 months - August 15. 21	SN0000001413	55.0
SN - 6% - 5 years - June 02. 25	SN0000001348	54.0
SN - 6.15% - 7 years - 09.12.26	SN0000001223	49.8
SN - 5.85% - 3 years - 19.10.23	SN0000001421	48.5
SN - 6% - 5 years - October 19. 25	SN0000001439	42.8
SN - 6% - 5 years - 07.06.24	SN0000001132	39.9
SN - 5.85% - 3 years - 06.07.23	SN0000001389	38.5
SN - 5.85% - 3 years - January 13. 23	SN0000001231	38.5
SN - 6% - 5 years - 09.mars.25	SN0000001264	36.8
SN - 5.85% - 3 years - 16.09.22	SN0000001157	35.5
SN - 6.15% - 7 years - 07.06.26	SN0000001140	34.4
SN - 6% - 5 years - July 27. 25	SN0000001397	33.0
SN - 6% - 5 years - February 10. 25	SN0000001256	30.7
SN - 6% - 5 years - June 15. 25	SN0000001363	30.0
SN - 5.85% - 3 years - June 02. 23	SN0000001330	28.5
SN - 5.75% - 3 years - 21.12.23	SN0000001504	27.5
SN - 6% - 5 years - 09.11.25	SN0000001488	27.5
SN - 5.85% - 3 years - April 14. 23	SN0000001280	26.7
SN - 5.85% - 3 years - June 15. 23	SN0000001355	25.0
SN - 5.8% - 3 years - February 10. 23	SN0000001249	24.3
SN - 6% - 5 years - April 14. 25	SN0000001298	23.0
SN - 6% - 5 years - 09.12.24	SN0000001215	21.3
SN - 6.15% - 7 years - 09.mars.27	SN0000001272	18.3
SN - 6.25% - 7 years - 10.09.22	SN0000000878	12.9
SN - 6.15% - 7 years - April 14. 27	SN0000001306	5.3

Source: UMOA-Titres

**Auction (for public securities):** auction of securities issued by the central government. In the WAEMU zone, it is organized by BCEAO and only banks and other regional financial institutions with accounts at BCEAO can participate. Other entities can only subscribe to auctions through WAEMU banks.

**Amortization or maturity:** the period between the disbursement of a loan and its final repayment, consisting of the grace period and the repayment period.

**Public offering:** a call for competition on the financial market for public securities through an IMS. It is open to all savers.

**Net external assets (NEA):** net claims or liabilities of monetary institutions (Central Bank and banks) on the outside world. This item corresponds to all the headings in the Central Bank and banks' balance sheets relating to their foreign operations. It is obtained by deducting from gross external assets all external commitments, including medium and long-term commitments.

**State financing requirement:** the overall amount needed to cover the primary budget deficit and the interest and amortization charges associated with the debt.

**Treasury bills:** short-term government securities with a maturity of between 7 days and 2 years, issued by a WAEMU member State.

**Paris Club:** informal group of creditor countries (usually OECD countries) that meet in Paris to negotiate debt restructuring agreements with debtor countries experiencing debt service problems.

**Bilateral creditors:** governments, central banks, agencies, and export credit agencies that lend to a debtor government on an intergovernmental basis.

**Multilateral creditors:** international institutions that lend funds on concessional and/or non-concessional terms, such as the IMF, World Bank, and regional development banks.

**Loans to the economy (EC):** all loans granted to the economy by banks (refinanced or not), financial institutions (part refinanced by the Central Bank) and by the Treasury (through the acceptance of customs drafts).

Domestic credit = Credit to the economy + Government net position (see NGP).

Disbursement: payment of all or part of the amount contracted under a loan.

**Budget deficit:** difference between total revenues and total expenditures and net lending.

Current account deficit: current account deficit in the balance of payments.

Primary deficit: negative difference between revenues and expenditures, excluding interest payments.

External public debt: central government borrowing from non-residents.

**Domestic public debt:** central government borrowing from residents.

Non-concessional debt: debt contracted on market terms.

**Public debt:** sum of all central government debts (external and internal).

#### **Economic data :**

- Realizations: economic data for past years, calculated on the basis of exhaustive economic information collected on economic activity by national administrations. They should correspond more or less to the final accounts data for year N-3;
- Estimates: correspond to semi-final or provisional accounts, based on the economic information of a given year. They are generally not exhaustive and/or not fully validated;
- Economic projections or forecasts: correspond to economic data calculated on the basis of assumptions made about the future evolution of [economic activity. These projections may partially cover certain accounts for which only provisional and/or partial data are available.

**Grant element:** difference between the nominal value (VN) and the present value (PV) of the debt service expressed as a percentage of the nominal value of the loan  $((VN - VA)/V'N)$ .

**Concessional borrowing:** loans and credits that have a long amortization period and/or below-market interest rates, such that they have a grant element of at least 35%.

**Eurobond (or Eurobond):** a bond denominated in foreign currency on the London financial market.



**Inflation:** generalized increase in consumer prices. This results in a loss of purchasing power of the currency.

**Multilateral Debt Relief Initiative (MDRI):** an initiative launched in June 2005 to accelerate progress towards the Millennium Development Goals (MDGs).

**HIPC Initiative:** a framework adopted by the World Bank and IMF in 1996 to address the external debt problems of heavily indebted poor countries, with the objective of providing sufficient overall debt relief to achieve debt sustainability.

**Money supply (MS):** all the claims held by the rest of the economy on monetary institutions.

It covers monetary assets (cash in circulation + sight deposits) and quasi-monetary assets (savings accounts and term deposits).

**Treasury bonds:** medium- or long-term government securities issued through auctions or public offerings.

Contingent liabilities: debts contracted by other public entities with the exception of the central government (local authorities and para-public sector).

Net government position (NGP): net claims or liabilities of the Treasury vis-à-vis the rest of the economy.

The government's net position is the difference between the Treasury's debts and its claims on the Central Bank, banks and individuals and companies.

By convention, a crediting PNG is preceded by a (-) sign while a debiting PNG is preceded by a (+) sign.

**Tax burden:** the ratio of tax revenues to GDP.

**Refinancing risk:** risk associated with the renewal of maturing debt. It may relate to the cost of refinancing or the inability to obtain the desired amounts.

**Interest rate risk:** Interest rate risk refers to the vulnerability of the government's debt portfolio and cost of debt to high market interest rates at the point where maturing fixed-rate debt and floating-rate debt are revalued.

**Foreign exchange risks:** risks related to fluctuations in exchange rates.

**Debt Service:** Any payment to be made on account of principal, interest and fees on a loan.

**Primary balance :** (see primary deficit).

**Public debt stock:** amount of outstanding debt disbursements at a given date.

**Exchange rate:** price of one currency in terms of another.

**Debt ratio:** ratio of the stock of public debt to GDP.

**Investment rate of a country's economy:** a ratio that indicates the gross fixed capital formation of all economic agents (government, businesses, households) expressed as a percentage of GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country.

**The terms of trade:** express the ratio between the price of exports and the price of imports for a country. They are generally calculated on the basis of price indices and indicate a change in relation to a reference year ( $T = [\text{export price index} / \text{import price index}] \times 100$ ).

**The terms of trade improve over time ( $T > 100$ ) if an economy exports a smaller quantity of goods to obtain the same quantity of imported goods (in other words, the same quantities exported allow for the purchase of an increased quantity of imported goods):** in this case, export earnings improve. In the opposite case, the terms of trade deteriorate ( $T$ ).

This price ratio thus reflects the evolution of the purchasing power of exports over imports, for a given volume of trade (the structure of trade is fixed): it reflects the price competitiveness of a country (independently of the quantity effect).

# BUILDING A BENCHMARKED REGIONAL GOVERNMENT SECURITIES MARKET FOR THE DEVELOPMENT OF WAEMU STATES



**Together, let's build the WAMU of tomorrow**



Benin



Burkina



Côte d'Ivoire



Guinea-Bissau



Mali



Niger



Senegal



Togo

BCEAO Country Office -Boulevard Général De Gaulle  
PO Box 4709 Dakar-Senegal Tel.: (+221) 33 849 28 28  
[www.umoatitres.org](http://www.umoatitres.org)